

Report to Executive

Agenda
Item:

A.1(b)

Meeting Date: 1st June 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD.04/15
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL OUTTURN 2014/15 AND REVISED CAPITAL PROGRAMME 2015/16
Report of: DIRECTOR OF RESOURCES
Report Number: RD 08/15

Purpose / Summary:

This report summarises the 2014/15 provisional out-turn for the capital budget and provides details of the revised capital programme for 2015/16. The out-turn shows that the net underspend for Council Services as at 31 March 2015 once committed expenditure totalling £2,269,600 is taken into account is £416,945.

It should be noted that the information contained in this report is provisional subject to the formal audit process. The Statement of Accounts for 2014/15 will be presented to the Audit Committee on 9 July, followed by a three-month audit process.

Recommendations:

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2015 of £416,945 which includes expenditure to be met totalling £2,269,600, which have been approved under delegated powers by the Director of Resources;
- (ii) Make recommendations to Council on the increase of the 2015/16 capital programme of £151,700 funded from revenue carry forwards as detailed in paragraph 5 and Appendix B1 of the report;
- (iii) Consider the revised programme for 2015/16, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council on 14 July.

Tracking

Executive:	1 June 2015
Overview and Scrutiny:	ROSP 18 June 2015
Audit Committee:	9 July 2015
Council:	14 July 2015

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 2014/15, summarised in **Appendix A**
- (ii) the revised programme for 2015/16, and the provisional programme for 2016/17 to 2019/20, 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 2015/16. 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 2014/15 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 2014/15

2.1 The original capital programme of £7,216,500 for 2014/15 was approved in February 2014. 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 2014/15 of £8,184,100 is a result of the following funding streams:

2014/15 Capital Budget	£
Original 2014/15 Programme (approved Feb 2014)	7,216,500
Agreed Carry Forwards from 2013/14 (RD08/14 Council 15/7/14)	2,716,600
Reprofiling: Public Realm Improvement Works (RD82/13 Council 04/03/14)	75,000
Reprofiling: Old Town Hall budgets (RD08/14 Council 15/7/14)	(352,000)
Reprofiling: Asset Review expenditure to 2015/16 (Council 03/02/15)	(1,800,000)
Reprofiling: Asset Review expenditure from 2015/16 (GD03/15 Council 3/2/15)	135,000
External contributions/grants	76,000
Schemes funded by Revenue budgets	117,000
Revised 2014/15 Capital Programme	8,184,100
Less Capital Reserves to be released by Executive	(380,000)
Revised 2014/15 Capital Programme (released)	7,804,100

2.2 The provisional out-turn position for the 2014/15 capital programme is shown below:

Directorate	Revised Annual Budget	Total Expenditure	Variance	Carry Forwards (Committed)	Revised Variance
	£	£	£	£	£
Chief Executive's Team	0	0	0	0	0
Deputy Chief Executive's Team	2,155,000	1,712,010	(442,990)	443,000	10
Economic Development	1,877,100	1,072,467	(804,633)	526,900	(277,733)
Governance	2,095,900	1,919,522	(176,378)	57,200	(119,178)
Local Environment	1,335,200	600,906	(734,294)	730,700	(3,594)
Resources	340,900	192,650	(148,250)	131,800	(16,450)
Total	7,804,100	5,497,555	(2,306,545)	1,889,600	(416,945)
Reserves to be released	380,000	0	(380,000)	380,000	0
Total	8,184,100	5,497,555	(2,686,545)	2,269,600	(416,945)

The accounting treatment for those schemes still to be released by the Executive has been amended this year to remove the projects 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 2014/15 after committed carry forwards have been taken into account is an underspend of £416,945.

2.4 The main variances after carry forwards are summarised below:

- An underspend of £131,434 on Asset Management Plan expenditure due to the land swap deal completing at less than originally budgeted.
- An underspend of £303,447 on Disabled Facilities Grants and Empty Property Initiative. Outstanding commitments on Disabled facilities Grants as at 31st March 2015 are approximately £186,500. These will be met from the budget allocation for 2015/16.
- An overspend of £40,733 on Durranshill Industrial Estate Improvement project. This is however fully funded by external grants.

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 2014/15 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 corporate reserves 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 Director 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 Director of Resources where the request relates to a specific committed item of expenditure where, due to external or other factors, the Director 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 Director of Resources 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 Director 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 Director of Resources 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 £2,269,600 (net) will be spent in 2015/16.

4. FINANCING OF CAPITAL PROGRAMME 2014/15

- 4.1 Utilisation of resources to fund the 2014/15 Capital Programme in light of the out-turn is provisionally estimated as follows:

	Revised Budget £	Provisional Out-turn £
Capital Programme expenditure in year	8,184,100	5,497,554
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts) (note 1)	6,204,900	4,206,113
Capital Grants		
• Disabled Facilities Grant	663,000	681,394
• General	186,100	229,671
Reserves & Balances (note 2)		
• Earmarked Reserves	9,800	0
• Direct Revenue Financing	354,300	288,215
Contributions from other bodies incl S106 (note 3)	766,000	92,161
Total Financing	8,184,100	5,497,554

Notes:

1. Usable capital receipts carried forward from 2013/14 and those generated during the year amount to £6,345,154 compared to the revised estimate figure of £7,857,804, a decrease of £1,512,650. This is mainly due to the slippage of sales from the Asset Disposal Programme into future years. Of the total sum available, £4,206,113 has been used to fund the Capital Programme in 2014/15, with the balance (£2,139,041) being carried forward to 2015/16 and held within the Capital Adjustment Account in order to reduce the Council's MRP liability as per the Treasury Management budget agreed in February 2015.
2. The use of capital receipts has been optimised in order to fund 2014/15 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 2014/15. Capital receipts are the last source of funding applied to finance the capital programme, external funding is always applied first. £28,800 direct revenue funding for schemes has also slipped into 2014/15 for St James Park and Improvements to Council Properties.
3. Additional contributions were received towards Disabled Facilities Grants (£7,000), and the use of Section 106 receipts towards Castle Way (S106) and Public Realm (S106) was less than budgeted. £681,800 has been carried forward into 2015/16 to allow the schemes to complete.

5. FIVE YEAR CAPITAL PROGRAMME

- 5.1 A five-year Capital Programme for 2015/16 to 2019/20 is detailed in **Appendices B1-B2**.

- 5.2 The programme for **2015/16** totalling £7,046,600 is based upon the programme as agreed by Council in February 2015 of £4,912,000, the commitments brought forward from 2014/15 as identified above of £2,269,600, less Asset Review Expenditure of £135,000 brought forward from 2015/16 to 2014/15.

The Executive is asked to recommend to Council an increase in the 2015/16 capital programme of £151,700 for new capital projects funded from revenue carry forwards as detailed in **Appendix B1**. The revised capital programme for 2015/16 would total £7,198,300.

- 5.3 The 2015/16 programme will be continually reviewed to ensure the Council has the capacity to deliver this level of programme. The main challenge for future years is funding the vehicle replacement programme.
- 5.4 The revenue outturn report considered elsewhere on the agenda (RD07/15) requests the establishment of new reserves and transfers into these reserves from revenue underspends. Members are asked to note that the 2015/16 capital programme could increase through Officer Decision Notices and further reports to the Executive approving the use of these reserves to fund capital expenditure.
- 5.5 It is suggested that the revised programme for 2015/16 as detailed in Appendix B1 is financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	4,912,000	4,912,000
Add: Carried forward from 2014/15	0	2,269,600
Add: Revenue Carried forward from 2014/15 for capital projects	0	151,700
Less: Reprofiting Asset Review Expenditure	0	(135,000)
Total Expenditure to be financed	4,912,000	7,198,300
<u>Financed by:</u>		
Capital Grants		
• DFG	663,000	663,000
• General	0	0
Capital Receipts	4,147,900	5,562,100
Contributions from other bodies	0	681,800
Direct Revenue Financing	101,100	281,600
Reserves	0	9,800
Total Financing	4,912,000	7,198,300

5.6 As part of the Medium Term Financial Plan, a review of anticipated receipts from the Asset Review Programme will be carried out which could impact the levels of receipts available to finance future years capital programmes if sales are delayed and amounts revised. This could also have implications for the revenue budgets (MRP).

5.6 The proposed programme for **2016/17** to **2019/20** as detailed in Appendix B2 is based on the programme agreed by Council in February 2015 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 18 June 2015.

7 CONCLUSION AND REASONS FOR RECOMMENDATIONS

7.1 The Executive is asked to:

- (i) Note the net underspend as at 31 March 2015 of £416,945 which includes expenditure to be met totalling £2,269,600, which have been approved under delegated powers by the Director of Resources;
- (ii) Make recommendations to Council on the increase of the 2015/16 capital programme of £151,700 funded from revenue carry forwards as detailed in paragraph 5 and Appendix B1 of the report;
- (iii) Consider the revised programme for 2015/16, together with the proposed methods of financing, as detailed at paragraph 5 and Appendix B, for recommendation to Council on 14 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.

Chief Executive's – Not applicable

Deputy Chief Executive's – Not applicable

Economic Development – Not applicable

Governance – 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.

Local Environment – Not applicable

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

DEPUTY CHIEF EXECUTIVE'S TEAM

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Art Centre	1,055,000	612,010	(442,990)	443,000	10	Revised scheme approved by Council (CD47/13 10/09/13). Project due to completed Spring 2015.
Harraby School and Community Campus Contribution	1,100,000	1,100,000	0	0	0	Budget released by Executive 11/3/13 (SD02/13). Phased payments released as per agreement.
Grand Total	2,155,000	1,712,010	(442,990)	443,000	10	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2014/15

APPENDIX A2

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Public Realm Work	280,000	15,641	(264,359)	264,400	41	Budget released by Executive 10/03/14 (ED10/14). Project progressing as planned. Additional budget released by Executive 07/04/15 (ED15/15). Carry forward required to complete work committed.
Old Town Hall Phase 2	510,000	247,440	(262,560)	262,500	(60)	Reprofiling and release of budget agreed by Council 5/11/13 (ED36/13). Further reprofiling agreed by Council 15/07/14 (RD08/14) to reflect the revised work schedule for the scheme. Release of additional budget agreed by Executive (ED16/15) 7/04/15, and PF.002/15. Project progressing and due for completion Autumn 2015.
Disabled Facilities Grants	863,000	591,270	(271,730)	0	(271,730)	Mandatory Grants. The take up of DFGs is reduced due to a lower level of referrals. The position is being closely monitored.
Empty Properties Initiative	209,100	177,383	(31,717)	0	(31,717)	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	15,000	0	(15,000)	0	(15,000)	Project complete.
HCA Durranshill Industrial Estate	0	40,733	40,733	0	40,733	Approved by Executive 15/01/14 (ED02/14). Project initially due to be delivered by a third party. This has now been taken back in house and grant funding is due to be returned to cover any expenditure incurred. A further report was approved by Executive 7/04/15 (ED14/15) detailing a revised programme of works.
Grand Total	1,877,100	1,072,467	(804,633)	526,900	(277,733)	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2014/15

APPENDIX A3

GOVERNANCE

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Asset Management Plan	1,535,000	1,403,566	(131,434)	0	(131,434)	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.
Planned Enhancements to Council Property (including additional reserves released for Enterprise Center & West Walls)	499,900	477,874	(22,026)	57,200	35,174	Carry forwards required to honour commitments to current improvement projects. Overspend relates to improvements completed at Civic Centre.
Cenotaph & War Memorials	61,000	38,082	(22,918)	0	(22,918)	Approved by Council 5/11/13 (RD34/13). Project complete.
Grand Total	2,095,900	1,919,522	(176,378)	57,200	(119,178)	

PROVISIONAL GENERAL FUND CAPITAL OUTTURN 2014/15

APPENDIX A4

LOCAL ENVIRONMENT

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
Play Area Developments	85,000	75,120	(9,880)	9,000	(880)	Carry forward budget required to complete current schemes at St James Park and Richmond Green.
Kingstown Industrial Estate Roads	9,800	0	(9,800)	9,800	0	Remaining budget required for additional public realm signage.
Castle Street Public Realm Improvements	24,700	24,689	(11)	0	(11)	Project complete.
Connect 2 Cycleway	0	(2,700)	(2,700)	0	(2,700)	Formal adoption of the cycleway now complete, remaining funds transferred to the Castle Street Public Realm project.
Clean Up Carlisle	55,000	48,750	(6,250)	0	(6,250)	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. Project complete.
Public Realm (S106)	349,600	7,707	(341,893)	341,900	7	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies.
Castle Way (S106)	340,400	500	(339,900)	339,900	0	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies.
Waste Optimisation Software	9,200	9,150	(50)	0	(50)	Purchase and implementation of route optimisation software for Waste Services.
CCTV Future Enhancements	89,000	88,889	(111)	0	(111)	Budget released by Executive 12/05/14 (LE06/14). Project complete.
Sheepmount Road	30,000	24,901	(5,099)	5,100	1	Budget released by Executive 15/09/14 (LE17/14). Project completion expected during Summer 2015.
Bits Park Improvements	10,000	10,914	914	0	914	Budget released by Executive 15/09/14 (LE17/14). Project complete.
Vehicles & Plant	332,500	312,986	(19,514)	25,000	5,486	Approved by Executive 18/08/14 (RD24/14). Replacement of vehicle purchases in 2014/15 all complete except one which is on order.
Grand Total	1,335,200	600,906	(734,294)	730,700	(3,594)	Carry forward required for vehicle ordered.

RESOURCES

Scheme	Revised Annual Budget £	Expenditure to date £	Variance to date £	Carry Forwards £	Adjusted Variance £	Details of major variance
DIS Infrastructure	319,900	188,026	(131,874)	131,800	(74)	Part of Shared Service Business Case. Carry forward required to accommodate contracts and orders placed to upgrade the IT infrastructure, network & equipment.
Employee Payment & Resource Management System	21,000	4,624	(16,376)	0	(16,376)	Approved by Executive 7/5/13 (RD07/13). Implementation complete.
Grand Total	340,900	192,650	(148,250)	131,800	(16,450)	

2015/16 CAPITAL PROGRAMME

APPENDIX B1

Scheme	Original Capital Programme 2015/16 £	Carry Forwards from 2014/15 £	Revenue Carry Forwards from 2014/15 £	Other Adjustments £	Revised Capital Programme 2015/16 £
<u>Current non-recurring commitments</u>					
Public Realm (S106)	0	341,900	0	0	341,900
Castle Way (S106)	0	339,900	0	0	339,900
Arts Centre	0	443,000	0	0	443,000
Old Town Hall Phase 2	390,000	262,500	0	0	652,500
Harraby School and Community Campus contribution	500,000	0	0	0	500,000
	890,000	1,387,300	0	0	2,277,300
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	150,000	57,200	0	0	207,200
Vehicles, Plant & Equipment	1,109,000	25,000	0	0	1,134,000
ICT Infrastructure	100,000	131,800	0	0	231,800
	1,359,000	214,000	0	0	1,573,000
<u>Disabled Facilities Grants</u>					
Private Sector Grants	863,000	0	0	0	863,000
	863,000	0	0	0	863,000
<u>Continuing Schemes</u>					
Empty Property Initiative	0	0	0	0	0
Public Realm Improvements	0	264,400	0	0	264,400
Play Area Developments	0	9,000	0	0	9,000
Kingstown Industrial Estate	0	9,800	0	0	9,800
Sheepmount Road	0	5,100	0	0	5,100
	0	288,300	0	0	288,300
TOTAL	3,112,000	1,889,600	0	0	5,001,600
<u>Capital Reserves to be released</u>					
Asset Review Purchases/Expenditure (1)	1,800,000	0	0	(135,000)	1,665,000
Old Town Hall / Greenmarket	0	380,000	0	0	380,000
	1,800,000	380,000	0	(135,000)	2,045,000
SUB-TOTAL	4,912,000	2,269,600	0	(135,000)	7,046,600
<u>New non-recurring commitments</u>					
Civic Centre Digital Banner	0	0	35,000	0	35,000
Bousteads Grassing Improvements	0	0	30,000	0	30,000
Financial Ledgers Upgrade	0	0	41,500	0	41,500
Revenues & Benefits ICT Upgrades	0	0	45,200	0	45,200
	0	0	151,700	0	151,700
REVISED TOTAL	4,912,000	2,269,600	151,700	(135,000)	7,198,300

2016/17 to 2019/20 PROPOSED CAPITAL PROGRAMME**APPENDIX B2**

Scheme	Proposed Capital Programme 2016/17 £	Original Capital Programme 2017/18 £	Original Capital Programme 2018/19 £	Original Capital Programme 2019/20 £
Private Sector Grants	863,000	863,000	863,000	863,000
Planned Enhancements to Council Property	150,000	150,000	150,000	150,000
Vehicles, Plant & Equipment	1,221,000	1,113,500	383,000	265,000
ICT Infrastructure	100,000	100,000	100,000	0
Leisure Facilities	0	0	5,000,000	0
TOTAL	2,334,000	2,226,500	6,496,000	1,278,000