

# Report to Executive

Agenda  
Item:  
  
**A.11**

Meeting Date: 5 August 2013  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO JUNE 2013  
Report of: DIRECTOR OF RESOURCES  
Report Number: RD28/13

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2013.

## 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 June 2013.

## Tracking

Executive:	<b>5 August 2013</b>
Overview and Scrutiny:	<b>29 August 2013</b>
Council:	<b>n/a</b>

## **1. BACKGROUND**

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of 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 to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Director of 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 2013/14:

<b>2013/14 Capital Budget</b>	<b>£</b>
<b>Original 2013/14 Programme (approved Feb 2013)</b>	<b>9,280,000</b>
Direct Revenue Financing - Customer Contact Centre (OD 014/13 26/03/13)	25,000
Direct Revenue Financing - Employee Payment & Resource Management System (RD07/13 Executive 7/05/13)	70,000
<b>Revised 2013/14 Capital Programme (at June 2013)</b>	<b>9,375,000</b>
Carry forwards from 2012/13 (RD11/13 Council 16/7/13)	1,828,700
Removal of budgets (RD11/13 Council 16/7/13)	(6,348,500)
<b>Revised 2013/14 Capital Programme (after carry forwards)</b>	<b>4,855,200</b>
Reprofiling of Arts Centre (subject to Council approval)	(200,000)
<b>Revised 2013/14 Capital Programme</b>	<b>4,655,200</b>

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

### 3. 2013/14 BUDGET MONITORING

3.1 The position statement as at June 2013 can be summarised as follows:

<b>Directorate</b>	<b>Revised Annual Budget £</b>	<b>Budget to Date £</b>	<b>Spend to date £</b>	<b>Variance to date £</b>	<b>Para. Ref.</b>
Resources	1,209,900	100,001	92,111	(7,890)	3.3
Community Engagement	2,148,700	704,067	610,459	(93,608)	3.4
Local Environment	798,100	0	(1,042)	(1,042)	3.5
Economic Development	498,500	183,800	184,111	311	3.6
<b>Total</b>	<b>4,655,200</b>	<b>987,868</b>	<b>885,639</b>	<b>(102,229)</b>	

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

3.2 As at the end of June, expenditure of £885,639 has been incurred. When considered against the profiled budget of £987,868 this equates to an underspend of £102,229.

The unspent balance remaining of the revised annual budget of £4,655,200 is £3,769,561. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

3.3 The variance in Resources is attributable to the following:

- (i) An underspend on vehicle replacement purchases carried forward from 2012/13. This will be offset by an overspend on another replacement that is currently on order.

- 3.4 The variance in Community Engagement is attributable to the following:
- (i) An underspend on Disabled Facilities Grants. The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
- 3.5 There are no significant variances to date in Local Environment. The negative figure relates to retentions coming in less than expected.
- 3.6 There are no significant variances to date in Economic Development.
- 3.7 A number of schemes are included in the capital programme for 2013/14 that require reports to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Revised Budget £	Note
Arts Centre	250,000	50,000	1
Public Realm	100,000	100,000	
<b>Total</b>	<b>350,000</b>	<b>150,000</b>	

Notes:

1. A revised scheme is being developed which requires approval by Council to increase the capital programme by £478,500 and reprofile the expenditure to £50,000 in 2013/14 and £1,014,500 in 2014/15.

#### 4. FINANCING

- 4.1 The 2013/14 capital programme can be financed as follows:

	£	Notes
<b>Total Programme to be financed (para 2.1)</b>	<b>4,655,200</b>	
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	2,941,100	
Capital Grants		
• Disabled Facilities Grant	663,000	
• General	37,900	
Direct Revenue Financing	165,100	
Other Contributions	716,800	
Earmarked Reserves	32,900	
Internal Borrowing	98,400	1
<b>Total Financing</b>	<b>4,655,200</b>	

Notes:

1. Council have approved an increase in the capital programme of £227,000 in 2013/14 for the purchase of new vehicles required to provide the Bring sites service in-house. This will increase the borrowing requirement in 2013/14 by £227,000 but the capital receipts will be repaid over 4-5 years from revenue savings. This increase has not yet been reflected in the 2013/14 capital programme.

## 5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at June 2013 of the capital resources due to be received during 2013/14:

	2013/14 Budget	2013/14 Actual	2013/14 Not yet received	Note
	£	£	£	
Capital Receipts				
· General	(660,000)	0	660,000	1
· Asset Review	(21,218,000)	0	21,218,000	1
· Vehicle Sales	0	(89,897)	(89,897)	2
· Renovation Grants repaid	0	0	0	
· PRTB Sharing agreement	(150,000)	0	150,000	3
Capital Grants				
· Disabled Facilities Grant	(663,000)	(667,717)	(4,717)	
· Old Town Hall	(33,700)	0	33,700	
· General	0	0	0	
Capital Contributions				
· Section 106	(716,800)	0	716,800	4
· General	0	0	0	
<b>Total</b>	<b>(23,441,500)</b>	<b>(757,614)</b>	<b>22,683,886</b>	

Notes:

1. Receipts for 2013/14 are anticipated to be received from the Lovells agreement (£160,000), general capital receipts (£250,000) and Hostel replacement (£250,000). The asset review sales anticipated to be received have been revised upwards to include the receipts from sales budgeted for in 2012/13 (£570,500) but not completed until 2013/14, and also downwards by £1million due to a reduced level of receipts expected in 2013/14.
2. Included within vehicle sales are receipts of £34,397 for individual vehicle sales that are below the deminimis of £10,000 for capital receipts. These will be transferred to revenue at the year end and will be used to fund the capital programme in line with the capital strategy (considered elsewhere on the agenda).

3. 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 Riverside Group are currently preparing forecasts for PRTB receipts for 2013/14 and the current payment due to the Council is £77,300 based on 3 sales to date as at 30 June. This position is being monitored regularly and forecast projections for 2013/14 will be provided in a future report to the Executive.
4. Contributions from Section 106 agreements to Castle Way Cycle Ramp (£346,800) and Public Realm Work S106 (£370,000).

## **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 Property Services. 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 Comprehensive Income and Expenditure Account as appropriate.
- 6.3 The value of fixed assets is a significant part of the balance sheet. In the 2012/13 accounts, fixed assets totalled £153million (2011/12 £167million). This represents 91% 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 June 2013 debtors of £113,032 (£399,769 at 31 March 2013)

were outstanding for capital grants, contributions and receipts. PRTB receipts for 2012/13 were received in April 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 June 2013 totalled £114,125 (£388,758 at 31 March 2013).

### 7. **PERFORMANCE**

- 7.1 The 2013/14 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 is ongoing to continue to monitor the profiling of budgets, and these are adjusted to reflect progress in current capital schemes. It is likely that there will still be a requirement for some carry forwards at the year end due to further slippage and delays on projects.
- 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 Corporate Programme Board chaired by the 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 & JMT have considered the issues raised in this report.

#### 8.2 Consultation Proposed

Resources Overview & Scrutiny Panel will consider the report on 29 August 2013.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

9.1 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 June 2013.

## **10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

10.1 The Council's capital programme reflects the current priorities in the Carlisle Plan e.g. Arts Centre and Public Realm work.

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**Appendices A to E  
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:**

**Chief Executive's** – Not applicable

**Community Engagement** – Not applicable

**Economic Development** – Not applicable

**Governance** – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

**Local Environment** – Not applicable

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



## 2013/14 CAPITAL PROGRAMME

## APPENDIX A

Scheme	Original Capital Programme 2013/14 £	Other Adjustments £	Revised Capital Programme 2013/14 £	Carry Forwards from 2012/13 £	Other Adjustments 2012/13 Outturn £	Revised Capital Programme 2013/14 £
<b>Current non-recurring commitments</b>						
Public Realm (S106)	330,000		330,000	40,000	0	370,000
Clean Up Carlisle	12,000		12,000	8,500	0	20,500
	<b>342,000</b>	<b>0</b>	<b>342,000</b>	<b>48,500</b>	<b>0</b>	<b>390,500</b>
<b>Recurring commitments</b>						
Asset Review Purchases	6,272,500		6,272,500	0	(6,272,500)	0
Planned Enhancements to Council Property	300,000		300,000	0	0	300,000
Vehicles, Plant & Equipment	259,500		259,500	311,000	0	570,500
ICT Shared Service	114,000		114,000	108,300	0	222,300
IT Equipment	79,000		79,000	0	(76,000)	3,000
	<b>7,025,000</b>	<b>0</b>	<b>7,025,000</b>	<b>419,300</b>	<b>(6,348,500)</b>	<b>1,095,800</b>
<b>New non-recurring commitments</b>						
Arts Centre	250,000	(200,000)	50,000	0	0	50,000
Public Realm Work	100,000		100,000	0	0	100,000
Paternoster Row	100,000		100,000	0	0	100,000
Harraby School and Community Campus contribution	600,000		600,000	0	0	600,000
Customer Contact Centre	0	25,000	25,000	0	0	25,000
Employee Payment & Resource Management System	0	70,000	70,000	0	0	70,000
	<b>1,050,000</b>	<b>(105,000)</b>	<b>945,000</b>	<b>0</b>	<b>0</b>	<b>945,000</b>
<b>Disabled Facilities Grants</b>						
Private Sector Grants	863,000		863,000	0	0	863,000
	<b>863,000</b>	<b>0</b>	<b>863,000</b>	<b>0</b>	<b>0</b>	<b>863,000</b>
<b>Continuing Schemes</b>						
Play Area Developments	0		0	6,200	0	6,200
Old Town Hall	0		0	298,500	0	298,500
Trinity Church MUGA	0		0	2,100	0	2,100
Castle Street Public Realm	0		0	10,000	0	10,000
Female & Families Accommodation	0		0	608,600	0	608,600
Kingstown Industrial Estate	0		0	32,900	0	32,900
PCIDSS Capital	0		0	30,600	0	30,600
Document Image Processing	0		0	13,500	0	13,500
Connect 2 Cycleway	0		0	11,700	0	11,700
Castle Way Cycle Ramp (S106)	0		0	346,800	0	346,800
	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,360,900</b>	<b>0</b>	<b>1,360,900</b>
<b>TOTAL</b>	<b>9,280,000</b>	<b>(105,000)</b>	<b>9,175,000</b>	<b>1,828,700</b>	<b>(6,348,500)</b>	<b>4,655,200</b>

RESOURCES

Scheme	Annual Budget	Carry Forwards From 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
IT Shared Service	193,000	32,300	225,300	0	1	1	Part of Shared Service Business Case.
Planned Enhancements to Council Property	300,000	0	300,000	3,001	2,908	(93)	Budget released by Executive 8/4/13 (RD01/13).
Town Clocks Invest to Save	0	0	0	0	5,064	5,064	To fit auto-winding and regulation of town clocks. Revenue savings will be generated to repay the capital investment.
Vehicles & Plant	259,500	311,000	570,500	97,000	82,137	(14,863)	Underspend to date on replacements carried forward from 2012/13.
Document Image Processing	0	13,500	13,500	0	2,000	2,000	Phased implementation in progress.
PCIDSS Capital	0	30,600	30,600	0	0	0	Implementation costs for a new security standard in line with the Payment Card Industry (RD26/12 Executive 6/8/12).
Employee Payment & Resource Management System	70,000	0	70,000	0	0	0	Approved by Executive 7/5/13 (RD07/13).
Asset Management Plan	6,272,500	(6,272,500)	0	0	1	1	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. The budgets have been returned to reserves and earmarked for asset purchases to be released back into the programme by Executive when such acquisition opportunities become available.
<b>Grand Total</b>	<b>7,095,000</b>	<b>(5,885,100)</b>	<b>1,209,900</b>	<b>100,001</b>	<b>92,111</b>	<b>(7,890)</b>	

COMMUNITY ENGAGEMENT

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Customer Services	25,000	0	25,000	6,258	6,999	741	Improvements to Civic Centre reception/foyer area funded from additional revenue income generated. (OD 14/13 26.03.13)
Disabled Facilities Grants	863,000	0	863,000	216,009	120,666	(95,343)	The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
Housing - Investment in Empty Homes	0	0	0	0	1,000	1,000	Outstanding commitment from previous year schemes.
Families Accommodation Replacement	0	608,600	608,600	481,800	481,794	(6)	Project complete. Opening day held 15/07/13. Final account awaited.
Trinity Church Multi Use Games Area	0	2,100	2,100	0	0	0	Budget provided to allow replacement of existing seat and grass resurfacing.
Art Centre	50,000	0	50,000	0	0	0	Revised scheme being developed which requires Council approval for additional budget and reprofiling between years.
<b>Grand Total</b>	<b>938,000</b>	<b>610,700</b>	<b>1,548,700</b>	<b>704,067</b>	<b>610,459</b>	<b>(93,608)</b>	

**JUNE 2013 - CAPITAL BUDGET MONITORING**

**APPENDIX D**

**LOCAL ENVIRONMENT**

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Play Areas	0	6,200	6,200	0	0	0	Budget provided for additional furniture/equipment at St James Park and Richmond Green play areas.
Chances Park	0	0	0	0	(1,000)	(1,000)	Retention less than expected.
Kingstown Industrial Estate Roads	0	32,900	32,900	0	0	0	To complete refurbishment of Kingstown Broadway North carriageway to 10 year design life including additional works to a number of access crossings.
Castle Street Public Realm Improvements	0	10,000	10,000	0	(42)	(42)	To complete scheduled works carried over from 2012/13.
Connect 2 Cycleway	0	11,700	11,700	0	0	0	To ensure works required to ensure adoption of the cycleway can be completed.
Clean Up Carlisle	12,000	8,500	20,500	0	0	0	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.
Public Realm (S106)	330,000	40,000	370,000	0	0	0	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies.
Castle Way Cycle Ramp	0	346,800	346,800	0	0	0	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies.
<b>Grand Total</b>	<b>342,000</b>	<b>456,100</b>	<b>798,100</b>	<b>0</b>	<b>(1,042)</b>	<b>(1,042)</b>	

**JUNE 2013 - CAPITAL BUDGET MONITORING****APPENDIX E****ECONOMIC DEVELOPMENT**

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Public Realm Work	100,000		100,000	0	0	0	Budget still to be released by Executive.
Old Town Hall - Strategic TIC	0	298,500	298,500	183,800	183,709	(91)	Revised project approved by Council 13/11/12. There is potential for an overspend of £18,000 on this project due to the funding partner changing their mind about supporting additional work agreed over the original tender amount.
Paternoster Row	100,000	0	100,000	0	0	0	Approved by Executive 17/12/12 (ED37/12).
Harraby School and Community Campus Contribution	600,000	0	600,000	0	0	0	Budget released by Executive 11/13/13 (SD02/13). Contribution to project expected to be made December 2013.
EA Central Plaza	0	0	0	0	402	402	Implementation on an Urgent Works Notice under Section 54 of the Planning (Listed Buildings and Conservation Areas) Act 1990 to be funded from the Conservation Fund approved by Executive 30.08.11 (ED29/11)
<b>Grand Total</b>	<b>800,000</b>	<b>298,500</b>	<b>1,098,500</b>	<b>183,800</b>	<b>184,111</b>	<b>311</b>	