

Report to Council

**Agenda
Item:**

16(ii)

Meeting Date: 16 July 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL OUTTURN 2018/19 – CARRY FORWARDS
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD14/19 (amended)

Purpose / Summary: This report provides details of the 2018/19 provisional outturn for the Council's Capital Programme and provides details of the revised Capital Programme for 2019/20. The provisional outturn was considered by the Executive on 29 May and 17 June and Business and Transformation Scrutiny Panel on 30 May. The report also now reflects the decision made by Council on 25 June in respect of the Sands Centre Redevelopment.

Recommendations:

Council is asked to:

- (i) Approve the carry forward requests totalling £2,253,900 to be met in 2019/20 as set out in the report;
- (ii) Approve the ring-fencing of £120,000 capital receipts for repayment of a previous grant as set out in paragraph 3.1;
- (iii) Approve the revised programme for 2019/20, together with the proposed methods of financing, as detailed at paragraph 3 which now incorporates the updated budgets for the Sands Centre Redevelopment.

Tracking

Executive:	RD02/19 & RD14/19 29 May 2019 & 17 June 2019
Overview and Scrutiny:	BTSP 30 May 2019
Audit Committee:	8 July 2019
Council:	16 July 2019

1. BACKGROUND

- 1.1 This report provides details of the 2018/19 provisional outturn for the Council's Capital Programme and provides details of the revised Capital Programme for 2019/20, which now reflects the decision made by Council on 25 June in respect of the Sands Centre Redevelopment.

2. CARRY FORWARD REQUESTS

- 2.1 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 Corporate Director of Finance and 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 Corporate Director of Finance and 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 Corporate Director of Finance and Resources will report the extent of overspending carried forward to the Executive, Business and Transformation Scrutiny Panel and to the Council.*

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

- 2.3 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 **Appendix A**, it is estimated that the full £2,253,900 will be spent in 2019/20.

3. 2019/20 CAPITAL PROGRAMME AND FINANCING

- 3.1 Included in the 2018/19 receipts is £120,000 from Durranhill Industrial Estate which is required to be ring-fenced for repayment of a grant in respect of a previous

Durranshill capital project. It is recommended that the funds are earmarked for this purpose and release of the funds is delegated to the Corporate Director of Economic Development following consultation with the Chief Executive, the Corporate Director of Finance and Resources and the Portfolio Holder.

- 3.2 The updated Capital Programme for 2019/20 is detailed in **Appendix A** totalling £23,192,000 and is based upon the programme as agreed by Council in February 2019 of £25,071,200, the commitments brought forward from 2018/19 as identified in this report of £2,253,900, the commitments brought forward from 2018/19 already approved of £982,100, an increase of £432,500 for additional Disabled Facilities Grant awarded which has been advised at £1,899,764, reprofiling on the Sands Centre of a reduction in 2019/20 of £5,572,200 and other minor increases to projects of £24,500 from external and revenue contributions.
- 3.3 The 2019/20 programme will be continually reviewed to ensure the Council has the capacity to deliver this level of programme. The programmes for 2019/20 through to 2022/23 have been amended following the decision made in respect of the Sands Centre Redevelopment.
- 3.4 If all of the carry forward requests are approved, it is suggested that the revised programme for 2019/20 is financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	25,071,200	25,071,200
Add: Carried forward from 2018/19 (in Year)	0	982,100
Add: Carried forward from 2018/19 (Year End)	0	2,253,900
Add: Other adjustments to programme	0	432,500
Less: Adjustments to Sands Centre Redevelopment	0	(5,572,200)
Add: External and revenue contributions	0	24,500
Total Expenditure to be financed	25,071,200	23,192,000
<u>Financed by:</u>		
Capital Grants		
• DFG	1,467,300	1,899,800
• General	2,000,000	2,024,700
Capital Receipts	1,700,000	1,700,000
Contributions from other bodies	0	134,900
Direct Revenue Financing	1,316,400	1,587,200
Borrowing Requirement (In Year)	18,587,500	15,845,400
Total Financing	25,071,200	23,192,000

4. RISKS

- 4.1 Individual capital schemes have different risks involved.

5. CONSULTATION

- 5.1 Consultation to Date.
Portfolio Holders, SMT and Business and Transformation Scrutiny Panel have considered the issues raised in this report.

6. CONCLUSIONS AND REASONS FOR RECOMMENDATIONS

- 6.1 Council is asked to:
- (i) Approve the carry forward requests totalling £2,253,900 to be met in 2019/20 as set out in the report;
 - (ii) Approve the ring-fencing of £120,000 capital receipts for repayment of a previous grant as set out in paragraph 3.1;
 - (iii) Approve the revised programme for 2019/20, together with the proposed methods of financing, as detailed at paragraph 3 which now incorporates the updated budgets for the Sands Centre Redevelopment.

7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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**Appendices A – 2019/20 Revised Capital Programme
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:

LEGAL – 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 use of capital reserves to fund expenditure commitments as set out in the report.

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

EQUALITY – This report raises no explicit issues relating to the public sector Equality Duty. It is worth noting that the report includes the increase in funding for the Disabled Facilities Grants (DFGs).

INFORMATION GOVERNANCE – There are no information governance implications.

**2019/20 CAPITAL
PROGRAMME**

APPENDIX A

Scheme	Original Capital Programme 2019/20 £	Carry Forwards from 2018/19 £	Carry Forwards from 2018/19 £	Other Adjustments £	Revised Capital Programme 2019/20 £
<u>Current non-recurring commitments</u>					
Gateway 44	6,500,000	0	(40,800)	0	6,459,200
Play Area Green Gyms	0	25,000	7,800	0	32,800
Open Space Improvements	0	84,500	0	0	84,500
Bitts Park (Tennis/Reinstatement)	0	0	94,000	0	94,000
Cemetery Infrastructure	0	0	11,200	0	11,200
Affordable Homes	0	0	46,400	4,000	50,400
Planning Software	0	0	150,000	0	150,000
Property Purchase	0	0	150,000	0	150,000
Flood Reinstatements Projects	0	0	(68,100)	0	(68,100)
Sands Centre Redevelopment ⁽¹⁾	15,395,000	0	550,700	(5,572,200)	10,373,500
Civic Centre Digital Banner	0	0	0	20,500	20,500
	21,895,000	109,500	901,200	(5,547,700)	17,358,000
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	250,000	0	79,600	0	329,600
Vehicles, Plant & Equipment	896,000	0	828,800	0	1,724,800
Recycling Containers	45,000	0	0	0	45,000
ICT Infrastructure	102,900	0	14,000	0	116,900
	1,293,900	0	922,400	0	2,216,300
<u>Housing Related Grants</u>					
Private Sector Grants	1,467,300	872,600	407,100	432,500	3,179,500
Minor Works Grants	0	0	23,200	0	23,200
	1,467,300	872,600	430,300	432,500	3,202,700
TOTAL	24,656,200	982,100	2,253,900	(5,115,200)	22,777,000
<u>Capital Reserves to be released</u>					
Play Area Improvements	35,000	0	0	0	35,000
Public Realm Improvements	380,000	0	0	0	380,000
	415,000	0	0	0	415,000
REVISED TOTAL	25,071,200	982,100	2,253,900	(5,115,200)	23,192,000

Note (1) : The 2019/20 budget allocation now reflects the increased level of spend in 2018/19.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 29 MAY 2019

**EX.37/19 PROVISIONAL CAPITAL OUTTURN 2018/19 AND REVISED CAPITAL
PROGRAMME 2019/20**
(Key Decision – KD.05/19)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.02/19 summarising the 2018/19 provisional outturn for the Council's Capital Budget, and providing details of the revised Capital Programme for 2019/20. The outturn showed that the net underspend for Council services as at 31 March 2019 once committed expenditure totalling £2,253,900 was taken into account was £44,083.

The Deputy Leader referenced the position with regard to carry forward requests on the Capital Programme namely that, of the committed carry forwards shown at paragraph 2.2, it was estimated that the full £2,253,900 would be spent in 2019/20. Details of the resources which had been used to fund the 2018/19 Capital Programme, together with the 5 year Capital Programme for the period 2019/20 to 2023/24 were also provided.

The programme for 2019/20 totalling £28,739,700 was based upon the programme as agreed by Council in February 2019 of £25,071,200, the commitments brought forward from 2018/19 as identified of £2,253,900, the commitments brought forward from 2018/19 already approved of £982,100 and an increase of £432,500 for additional Disabled Facilities Grant awarded which had only recently been advised and totalled £1,899,764.

The 2019/20 programme would be continually reviewed to ensure the Council had the capacity to deliver that level of programme. The programme for 2019/20 and 2020/21 may be amended depending upon decisions made in respect of the Sands Centre Redevelopment.

The information contained within the report was provisional and subject to the formal audit process.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder concluded by recommending that the Business and Transformation Scrutiny Panel be requested to scrutinise the carry forward requests alluded to, prior to the Executive taking a decision on approval thereof for recommendation to Council.

The Environment and Transport Portfolio Holder seconded the recommendation.

Summary of options rejected None

DECISION

That the Business and Transformation Scrutiny Panel be requested to scrutinise the carry forward requests detailed within Report RD.02/19 prior to the Executive taking a decision on approval thereof for recommendation to Council.

Reasons for Decision

To receive the report on the Provisional Capital Outturn for 2018/19 and make recommendations to the City Council on the 2019/20 Capital Programme

EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 30 MAY 2019

BTSP.43/19 2018/19 PROVISIONAL OUTTURN REPORTS

(b) Provisional Capital Outturn 2018/19 and revised Capital Programme 2019/20

The Corporate Director of Finance and Resources presented report RD.02/19 summarising the provisional outturn for the Council's capital programme and details of the revised capital programme for 2019/20.

The Corporate Director of Finance and Resources set out the position with regard to carry forward requests on the Capital Programme commenting that, the position for 2018/19 after committed carry forwards had been taken into account was an underspend of £44,083. The main variances after carry forwards were summarised in section 2.4.

She also identified for Members the resources which had been used to fund the 2019/20 Capital Programme and detailed the 5 year Capital Programme for the period 2019/20 to 2023/24.

The programme for 2019/20 totaling £28,739,700 was based upon the programme as agreed by Council in February 2019 of £25,071,200, the commitments brought forward from 2018/19 as identified of £2,253,900, the commitments brought forward from 2018/19 already approved of £982,100 and an increase of £432,500 for additional Disabled Facilities Grant awarded which had recently been advised and totaled £1,899,764.

The 2019/20 programme would be continually reviewed to ensure that the Council had the capacity to deliver that level of programme. The programme for 2019/20 and 2020/21 may be amended depending upon decision made in respect of the Sands Centre Redevelopment.

The Corporate Director of Finance and Resources pointed out that the information contained within the report was provisional and subject to the formal audit process.

In considering the report Members raised the following comments and questions:

- Members were disappointed that the Fusehill Street Play Area had progressed before the grant had been received and had resulted in an additional call on capital reserves. The Panel asked that external funding for schemes be received before projects were carried out.

The Finance, Governance and Resources Portfolio Holder agreed that external funding should be received before projects went ahead and it was the responsibility of the Portfolio Holder to ensure this happened.

- The Panel requested more information on the repayment of a grant in respect of a previous Durranhill capital project.

The Corporate Director of Finance and Resources explained that there had been a Cumbria Sub-Regional Employment Site (CRES) grant to Durranshill Industrial Estate from the North West Development Agency which had to be paid back when the relevant condition had been triggered.

- Was the potential development of Central Plaza making progress?

The Town Clerk and Chief Executive confirmed that a developer was interested in the site and had carried out ground investigations.

- Why was there an overspend on the released funding of the Sands Centre?

The Corporate Director of Finance and Resources reminded the Panel that full Council had agreed the capital allocation for the Sands Centre and it had been split in two parts. The first part had been to progress the scheme to RIBA Stage 4. The available budget for carry forward would be reduced as a result of the overspend.

- The Panel had previously requested and received information regarding the waste receptacles overspend but had found the response had not answered their questions. The Panel requested that the Portfolio Holder provide further information on the waste receptacle overspend.

RESOLVED – 1) That Provisional Capital Outturn 2018/19 and revised Capital Programme 2019/20 (RD.02/19) and the information contained therein be noted and received.

2) That the Finance, Governance and Resources Portfolio Holder provide the Panel with a written response regarding the waste receptacle overspend.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 17 JUNE 2019

EX.49/19 PROVISIONAL CAPITAL OUTTURN 2018/19 – CARRY FORWARDS
(Key Decision)

(With the consent of the Chairman, and in accordance with Rule 15 of the Access to Information Procedure Rules; and Regulation 10 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 this item was included on the Agenda as a Key decision, although not in the Notice of Executive Key Decisions for decision today)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder reported that, following consideration of the draft outturn position on 29 May 2019 (Minute EX.37/19), the Executive had asked that the Business and Transformation Scrutiny Panel consider the carry forward requests prior to the Executive making a formal decision and recommendation to Council in July 2019.

Report RD.14/19, a copy of which was submitted, recorded that requests had been made to carry forward expenditure of £2,253,900.

Included within the 2018/19 receipts was £120,000 from Durranhill Industrial Estate which required to be ring-fenced for repayment of a grant in respect of a previous Durranhill capital project. It was recommended that the funds be earmarked for that purpose and release of the funds delegated to the Corporate Director of Economic Development following consultation with the Chief Executive, the Corporate Director of Finance and Resources and the Portfolio Holder.

The updated Capital Programme for 2019/20 (Appendix A) totalling £28,739,700 was based upon the programme as agreed by Council in February 2019 of £25,071,200, the commitments brought forward from 2018/19 as identified in this report of £2,253,900, the commitments brought forward from 2018/19 already approved of £982,100 and an increase of £432,500 for additional Disabled Facilities Grant awarded which had only recently been advised and totalled £1,899,764.

The 2019/20 programme would be continually reviewed to ensure the Council had the capacity to deliver that level of programme. The programme for 2019/20 and 2020/21 may be amended depending upon decisions made in respect of the Sands Centre Redevelopment.

If all of the carry forward requests were approved, it was suggested that the revised programme for 2019/20 was financed as recorded at paragraph 3.5.

The matter had been the subject of scrutiny by the Business and Transformation Scrutiny Panel on 30 May 2019, when the Panel had resolved that the report be noted and received. Minute Excerpt BTSP.43/19(b) was also submitted.

The Chairman of the Business and Transformation Scrutiny Panel stated that he had nothing further to add.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder concluded by moving the recommendations, which were seconded by the Leader.

Summary of options rejected None

DECISION

That the Executive had:

- (i) Considered the feedback from the Business and Transformation Scrutiny Panel and the committed expenditure totalling £2,253,900, as set out at Appendix A, to be incurred in 2019/20, for recommendation to Council;
- (ii) Considered, for recommendation to Council, the ring-fencing of £120,000 capital receipts for repayment of a previous grant as set out in paragraph 3.1;
- (iii) Considered the revised programme for 2019/20, together with the proposed methods of financing, as detailed at paragraph 3, for recommendation to Council, subject to any future decisions made on the Sands Centre Redevelopment.

Reasons for Decision

To receive the report on the Provisional Capital Outturn for 2018/19 and make recommendations to the City Council on the 2019/20 Capital Programme