

Report to Business & Transformation Scrutiny Panel

Agenda
Item:
A.6

Meeting Date: 6 September 2018
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 2018
Report of: CHIEF FINANCE OFFICER
Report Number: RD 19/18

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2018 which was considered by the Executive on 20 August 2018.

Questions for / input required from Scrutiny:

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

Recommendations:

Members of the Business & Transformation Scrutiny panel are asked to note the overall budgetary position for the period April to June 2018.

Tracking

Executive:	20 August 2018
Scrutiny:	6 September 2018
Council:	n/a

Report to Executive

Agenda
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Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2018
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Report Number: RD 19/18

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2018.

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 2018;
- (ii) Note adjustments to the 2018/19 capital programme as detailed in paragraph 2.1;
- (iii) Approve an increase to the capital programme for the additional Disabled Facilities Grant received in 2018/19 (£293,200).

Tracking

Executive:	20 August 2018
Scrutiny:	6 September 2018
Council:	n/a

1. BACKGROUND

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Chief Finance Officer 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 Chief Officers to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Chief Finance Officer.
- 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 2018/19:

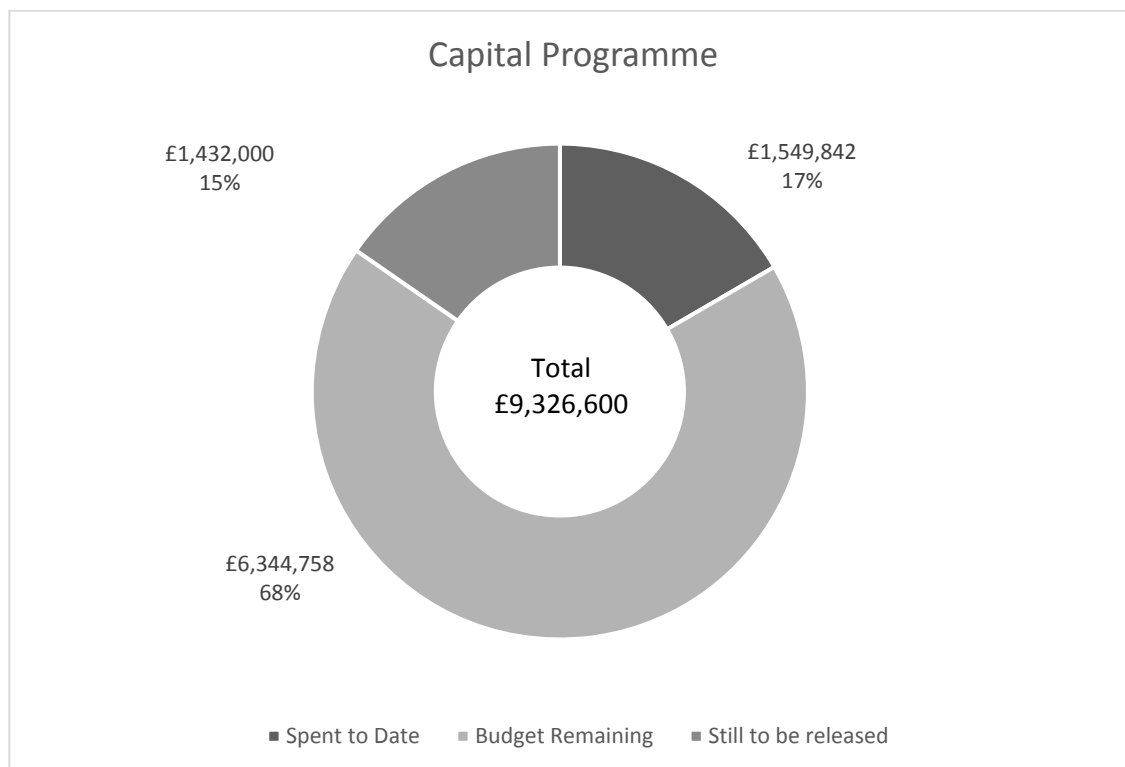
2018/19 Capital Budget	£
Original 2018/19 Programme (approved Feb 2018)	4,032,600
Carry forwards from 2017/18 (RD44/17 Council 06/03/18)	1,100,000
Release of car park reserve and revenue financing for Car Park Improvements (CS25/18 Council 24/04/18; OD.069/18)	164,300
Reprofiling of Sands Centre Redevelopment (CS16/18 Council 06/03/18)	1,769,100
Revenue contribution towards Public Realm Improvements	700
S106 contributions towards Affordable Homes (OD.065/18)	41,500
S106 contribution towards Crindledyke Cycleway (OD.068/18)	10,000
S106 contribution towards Open Space Improvements (CS28/18 Executive 25/06/18)	84,500
External grant and revenue contribution towards Play Areas	32,000
Revised 2018/19 Capital Programme (at June 2018)	7,234,700
Carry forwards from 2017/18 (RD04/18 Council 17/07/18)	2,091,900
Revised 2018/19 Capital Programme (after carry forwards)	9,326,600
Less Capital Reserves to be released by Executive	(1,432,000)
Revised 2018/19 Capital Programme (released)	7,894,600

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

3. 2018/19 BUDGET MONITORING

3.1 The position statement as at June 2018 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Community Services	3,950,200	473,033	475,241	2,208	-
Corporate Support & Resources	402,500	89,434	89,346	(88)	-
Economic Development	259,500	62,951	492,739	429,788	3.3
Governance & Regulatory Services	3,282,400	821,538	492,516	(329,022)	3.4
Total	7,894,600	1,446,956	1,549,842	102,886	
Reserves to be released	1,432,000	0	0	0	3.5
Total	9,326,600	1,446,956	1,549,842	102,886	



Schemes still to be released by the Executive are outwith the budget monitoring process until the budgets have been released.

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

- 3.2 As at the end of June, expenditure of £1,549,842 has been incurred on the Council's core capital programme. When considered against the profiled budget of £1,446,956 this equates to an overspend of £102,886.

The unspent balance remaining of the revised annual budget of £7,894,600 is £6,344,758. 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 Economic Development is attributable to the following:
- (i) An overspend of £426,122 on Central Plaza. This overspend has been addressed as Council have subsequently approved the use of up to £650,000 from the General Fund Revenue Reserve to fund the emergency works on the former Central Plaza. This will be reflected in future reports presented.
- 3.4 The variance in Governance & Regulatory Services is attributable to the following:

- (i) An underspend of £320,389 on Disabled Facilities Grants. Spend in the first quarter of 2018/19 was £450,385 which is over double the expenditure in the first quarter of 2017/18. Activity in the delivery of DFG is increasing. Capital commitments for Occupational Therapist support and Care Act contributions to the County Council have not yet occurred and will account for £450,000 of the underspend. Following liaison with the County Council over recent weeks it is anticipated that the Occupational Therapist contribution will move from the DFG allocation in the next few months. A revised Housing Renewal Assistance Policy detailing additional grant contributions is considered elsewhere on this agenda – the proposals if adopted and approved by full Council in November will further improve the delivery of DFGs.

- 3.5 A number of schemes are included in the capital programme for 2018/19 that require reports to be presented to the Executive for the release of funding before the project can go ahead, some of which may slip into future years capital programmes.

Scheme	Budget £
Old Town Hall / Greenmarket	380,000
Regeneration of Botchergate/London Road	247,000
Chatsworth/Portland Square Townscape Heritage Initiative	295,000
Business Interaction Centre	510,000
Total	1,432,000

4. FINANCING

- 4.1 The 2018/19 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
Total Programme to be financed (para 2.1)	9,326,600	7,894,600
<u>Financed by:</u>		
Capital Receipts / Internal Borrowing	4,841,800	4,324,800
Capital Grants		
• Disabled Facilities Grant	1,467,300	1,467,300
• General	1,228,900	448,200
Direct Revenue Financing	1,399,400	1,265,100
Other Contributions	379,400	379,400
Earmarked Reserves	9,800	9,800
Total Financing	9,326,600	7,894,600

5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at June 2018 of the capital resources due to be received during 2018/19:

	2018/19 Annual Budget £	2018/19 Current Budget £	2018/19 Actual £	2018/19 Not yet received £	Note
Capital Receipts					
· General	0	0	(382,000)	(382,000)	1
· Asset Review	(2,754,000)	(2,754,000)	(4,212)	2,749,788	1
Capital Grants					2
· Disabled Facilities Grant	(1,467,300)	(1,467,300)	(1,760,573)	(293,273)	
· Tennis Facilities	(400,000)	(400,000)	0	400,000	
· Regeneration of Botchergate/London Road	(210,000)	0	0	0	
· Chatsworth/Portland Square Townscape Heritage Initiative	(270,000)	0	0	0	
· Business Interaction Centre	(300,700)	0	0	0	
· General	(25,000)	(25,000)	0	25,000	
Capital Contributions					
· Section 106	(379,400)	(379,400)	(112,800)	266,600	3
· Disabled Facilities Grants	0	0	(9,150)	(9,150)	
· General	0	0	0	0	
Total	(5,806,400)	(5,025,700)	(2,268,735)	2,756,965	

Notes:

1. Receipts for 2018/19 are anticipated to be received from asset review sales (£2,754,000). Included within general sales are receipts of £4,212 that are below the de minimis for capital receipts and will be transferred to revenue.
 2. Capital grants are received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body.
- Members of the Executive are asked to approve an increase to the capital programme for the additional Disabled Facilities Grant received in 2018/19 (£293,200).**
3. Contributions from Section 106 agreements to Crindledyke Cycleway (£138,700), Open Space Improvements (£84,500) and Affordable Homes (£156,200).

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 annually 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 2017/18 accounts, fixed assets totalled £157million (2016/17 £161million). This represents 93% 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. 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 June 2018 debtors of £274,935 (£566,593 at 31 March 2018) were outstanding for capital grants, contributions and receipts.
- 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 2018 totalled £582,034 (£857,255 at 31 March 2018).

7. PERFORMANCE

- 7.1 The 2018/19 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. Members are reminded that budgets totalling £1,432,000 are being held in reserves until approved by Executive for release.

- 7.2 The 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 Transformation Sub-Group 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. RISKS

- 8.1 Individual capital schemes have different risks involved.

9. CONSULTATION

- 9.1 Consultation to Date
SMT & JMT have considered the issues raised in this report.
- 9.2 Consultation Proposed
Business & Transformation Scrutiny Panel will consider the report on 6 September 2018.

10. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 10.1 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 2018;
 - (ii) Note adjustments to the 2018/19 capital programme as detailed in paragraph 2.1;
 - (iii) Approve an increase to the capital programme for the additional Disabled Facilities Grant received in 2018/19 (£293,200).

11. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer: Emma Gillespie

Ext: 7289

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:

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

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.

2018/19 CAPITAL PROGRAMME
APPENDIX A

Scheme	Original Capital Programme 2018/19 £	Carry Forwards from 2017/18 £	Carry Forwards from 2017/18 £	Other Adjustments £	Revised Capital Programme 2018/19 £
<u>Current non-recurring commitments</u>					
Play Area Green Gyms	25,000	0	0	0	25,000
Fusehill Street Play Area	35,000	0	0	0	35,000
Planning Software	150,000	0	0	0	150,000
Cemetery Infrastructure	30,000	0	0	0	30,000
Recycling Containers	45,000	0	0	0	45,000
Tennis Facilities	0	0	502,900	0	502,900
Cycle Track Development	0	0	12,700	0	12,700
Crindledyke Cycleway	0	0	128,700	10,000	138,700
Play Area Developments	0	0	4,000	32,000	36,000
Open Space Improvements	0	0	0	84,500	84,500
Kingstown Industrial Estate	0	0	9,800	0	9,800
Public Realm Improvements	0	0	4,600	700	5,300
Revenues & Benefits ICT Upgrades	0	0	45,200	0	45,200
Car Park Improvements	0	0	0	164,300	164,300
Affordable Homes (S106)	0	0	114,700	41,500	156,200
Sand Redevelopment	0	0	0	1,769,100	1,769,100
Central Plaza	0	0	(52,000)	0	(52,000)
	285,000	0	770,600	2,102,100	3,157,700
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	150,000	0	20,000	0	170,000
Vehicles, Plant & Equipment	721,000	0	386,000	0	1,107,000
ICT Infrastructure	357,300	0	0	0	357,300
	1,228,300	0	406,000	0	1,634,300
<u>Disabled Facilities Grants</u>					
Private Sector Grants	1,467,300	1,100,000	512,100	0	3,079,400
Minor Works Grants	0	0	23,200	0	23,200
	1,467,300	1,100,000	535,300	0	3,102,600
TOTAL	2,980,600	1,100,000	1,711,900	2,102,100	7,894,600
<u>Capital Reserves to be released</u>					
Regeneration of Botchergate & London Road	247,000	0	0	0	247,000
Chatsworth/Portland Square Townscape	295,000	0	0	0	295,000
Heritage Initiative					
Business Interaction Centre	510,000	0	0	0	510,000
Old Town Hall / Greenmarket	0	0	380,000	0	380,000
	1,052,000	0	380,000	0	1,432,000
REVISED TOTAL	4,032,600	1,100,000	2,091,900	2,102,100	9,326,600

COMMUNITY SERVICES

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Cemetery Infrastructure	30,000	0	0	0	Project yet to start.
Vehicles & Plant	1,107,000	170,000	169,972	(28)	Replacement of vehicle purchases in 2018/19 on target to date.
Play Area Developments	71,000	36,000	35,935	(65)	Individual schemes progressing as planned.
Crindledyke Cycleway (S106)	138,700	3,052	3,000	(52)	Funded by Section 106 monies. Phase 2 being developed.
Open Space Improvements	84,500	0	0	0	Funded by Section 106 monies.
Green Gyms	25,000	0	0	0	Budget released by Executive 30/05/18 (CS27/18).
Tennis Facilities	502,900	5,030	5,176	146	Approved by Council 08/09/15 (SD16/15).
Cycle Track Developments	12,700	7,505	7,500	(5)	Budget carried forward from 2017/18.
Sands Centre Redevelopment	1,769,100	217,696	218,022	326	Budget reprofiling approved by Council 06/03/18 (CS16/18).
Car Park Improvements	164,300	0	0	0	Work is progressing as planned with 1 out of 3 sites completed. Completion of the remaining 2 sites is expected by mid-September.
Waste Minimisation	45,000	33,750	35,636	1,886	Expenditure progressing as planned.
Grand Total	3,950,200	473,033	475,241	2,208	

JUNE 2018 - CAPITAL BUDGET MONITORING**APPENDIX C****CORPORATE SUPPORT & RESOURCES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
ICT Infrastructure	357,300	89,434	89,346	(88)	Part of ICT Strategy Business Case.
Revenues and Benefits ICT Upgrades	45,200	0	0	0	Budget carried forward as part of ICT Strategy.
Grand Total	402,500	89,434	89,346	(88)	

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
EA Central Plaza	(52,000)	(52,000)	374,122	426,122	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. (Use of General Fund Reserve of up to £650,000 subsequently approved to fund these emergency works and will be reflected in future reports).
Public Realm Work	5,300	5,300	4,567	(733)	Project Plan is being implemented in line with revised timescales.
Durranhill Industrial Estate	0	0	4,250	4,250	
Planning Software	150,000	0	0	0	Project yet to start.
Affordable Homes	156,200	109,651	109,800	149	Approved by Executive 31/07/17 (ED24/17) and OD.065/18.
Grand Total	259,500	62,951	492,739	429,788	

JUNE 2018 - CAPITAL BUDGET MONITORING**APPENDIX E****GOVERNANCE & REGULATORY SERVICES**

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Planned Enhancements to Council Property	170,000	0	170,000	42,503	42,131	(372)	Individual projects progressing as planned.
Kingstown Industrial Estate Roads	9,800	0	9,800	2,454	0	(2,454)	Remaining budget required for additional public realm signage on the estate.
Minor Works Grants	23,200	0	23,200	5,807	0	(5,807)	Budget approved by Executive 04/04/16 (ED09/16).
Disabled Facilities Grants	3,079,400		3,079,400	770,774	450,385	(320,389)	Mandatory Grants. Increased grant allocation for 2018/19. The position is being closely monitored.
Grand Total	3,282,400	0	3,282,400	821,538	492,516	(329,022)	