

Report to Executive

Agenda
Item:

A.6

Meeting Date: 11 February 2019
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 DECEMBER 2018
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 36/18

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to December 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 December 2018;
- (ii) Note adjustments to the 2018/19 capital programme as detailed in paragraph 2.1;
- (iii) Make recommendations to Council to approve reprofiling of £982,100 as detailed in para 3.3 and Appendix A from 2018/19 to 2019/20.

Tracking

Executive:	11 February 2019
Scrutiny:	14 February 2019
Council:	5 March 2019

1. BACKGROUND

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

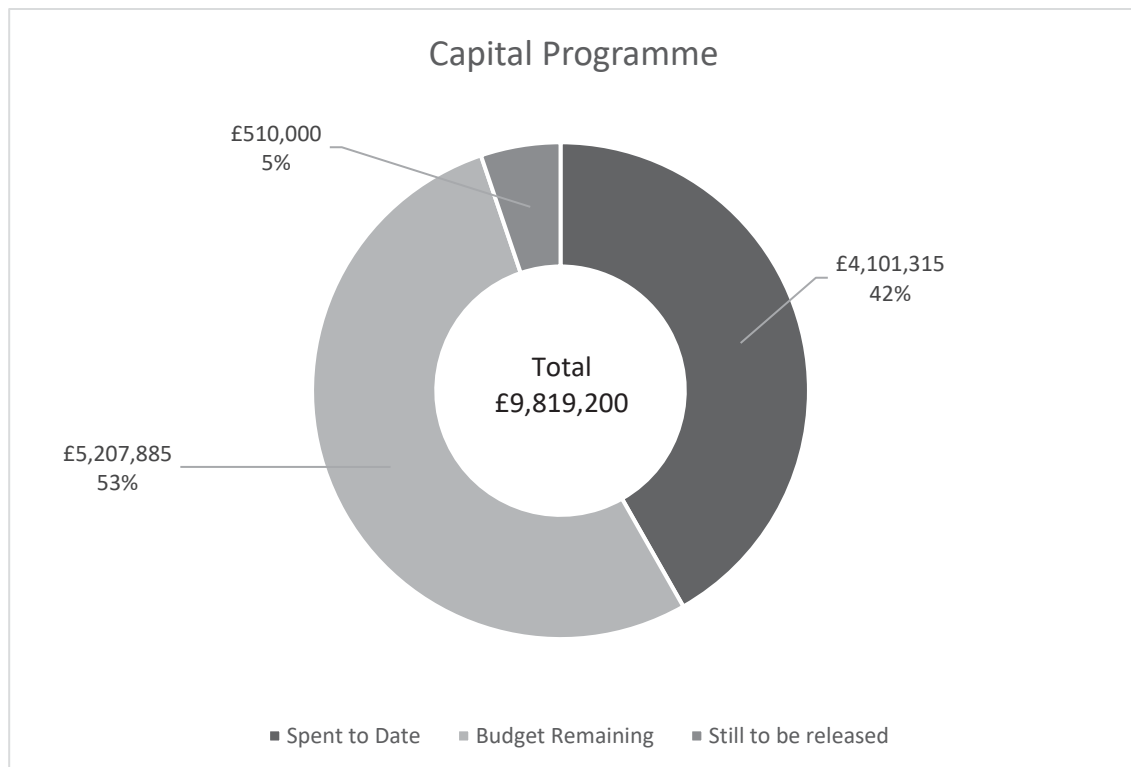
2018/19 Capital Budget	£
2018/19 Capital Programme (RD04/18 Council 17/07/18)	7,388,800
Reprofiling of Sands Centre Redevelopment (CS16/18 Council 06/03/18)	1,769,100
Revenue contribution towards Central Plaza (ED23/18 Council 17/09/18)	650,000
Revenue contribution towards Harraby Cycle Track (CS30/18 Executive 20/08/18)	38,000
Revenue contribution towards Property Acquisition (GD51/18 Executive 23/07/18)	150,000
Additional grant towards Disabled Facilities Grants (RD19/18 Executive 20/08/18)	293,200
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
Revenue contribution towards Council Property Improvements	9,300
External grant and revenue contribution towards Play Areas	54,100
Carry forwards into 2019/20 (RD26/18 Council 08/01/19)	(380,000)
Removal of Projects by Executive (RD26/18 Executive 12/11/18)	(542,000)
Revenue contribution towards purchase of Waste Receptacles	17,100
Revenue contribution towards Crindledyke Cycleway	34,900
Release of earmarked capital receipts for Chancergate (OD.06/19)	200,000
Revised 2018/19 Capital Programme (at Dec 2018)	9,819,200
Less Capital Reserves to be released by Executive (see para 3.7)	(510,000)
Revised 2018/19 Capital Programme (released)	9,309,200
Carry forwards into 2019/20 (subject to Council Approval, see para 3.3)	(982,100)
Revised 2018/19 Capital Programme (released)	8,327,100

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 December 2018 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Community Services	4,062,300	1,309,745	1,312,567	2,822	-
Corporate Support	402,500	243,723	215,886	(27,837)	3.4
Economic Development	909,500	713,099	700,249	(12,850)	3.5
Finance and Resources	0	0	0	0	
Governance & Regulatory Services	3,934,900	2,506,104	1,872,613	(633,491)	3.6
Total	9,309,200	4,772,671	4,101,315	(671,356)	
Reserves to be released	510,000	0	0	0	3.7
Total	9,819,200	4,772,671	4,101,315	(671,356)	



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 December, expenditure of £4,101,315 has been incurred on the Council's core capital programme. When considered against the profiled budget of £4,772,671 this equates to an underspend of £671,356.

The unspent balance remaining of the revised annual budget of £9,309,200 is £5,207,885. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

- 3.3 However, an initial review of the 2018/19 capital programme has been undertaken and **the Executive are asked to recommend to Council the reprofiling of £982,100 from 2018/19 to 2019/20** (further details in Appendix A).

Directorate	Annual Budget	Carry Forwards	Revised Annual Budget	Spend to Date	Budget Remaining
	£	£	£	£	£
Community Services	4,062,300	(109,500)	3,952,800	1,312,567	2,640,233
Corporate Support	402,500	0	402,500	215,886	186,614
Finance & Resources	0	0	0	0	0
Economic Development	909,500	0	909,500	700,249	209,251
Governance & Regulatory	3,934,900	(872,600)	3,062,300	1,872,613	1,189,687
Total	9,309,200	(982,100)	8,327,100	4,101,315	4,225,785
Reserves to be released	510,000	0	0	0	0
Total	9,819,200	(982,100)	8,327,100	4,101,315	4,225,785

The unspent balance remaining of the revised annual budget of £8,327,100 is £4,225,785 as at December 2018.

- 3.4 The variance in Corporate Support is attributable to the following:
- (i) An underspend of £30,135 on Revenues and Benefits ICT Upgrades. This is funded by a revenue contribution to capital which could be returned to General Fund Reserves if no longer required.
- 3.5 The variance in Economic Development is attributable to the following:
- (i) An underspend of £14,962 on Durranshill Industrial Estate due to refunds received for expenditure incurred in previous years.
- 3.6 The variance in Governance & Regulatory Services is attributable to the following:
- (i) An underspend of £642,722 on Disabled Facilities Grants. Full Council adopted a revised Housing Renewal Assistance Policy in November, that detailed additional grant contributions which has improved the delivery of DFGs with increased levels of spend committed. A carry forward of £872,600 is proposed which brings the revised budget in line with the anticipated spend within the revised 2018 Action Plan for Disabled Facilities Grants.
 - (ii) An overspend of £37,483 in relation to improvements to Council Properties through work commissioned as a result of condition surveys. This will be funded from the Revenue Carry Forward Reserve (Reactive Repair and Maintenance allocation).
- 3.7 One scheme is included in the capital programme for 2018/19 that requires a report to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £
Business Interaction Centre	510,000
Total	510,000

4. FINANCING

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

	Annual Budget £
Total Programme to be financed (para 2.1)	8,327,100
Financed by:	
Capital Receipts / Internal Borrowing	3,618,200
Capital Grants	
• Disabled Facilities Grant	1,760,500
• General	452,200
Direct Revenue Financing	2,191,500
Other Contributions	294,900
Earmarked Reserves	9,800
Total Financing	8,327,100

5. CAPITAL RESOURCES

5.1 The following table shows the position as at December 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	(564,037)	(564,037)	1
· Asset Review	(2,754,000)	(2,754,000)	(4,000)	2,750,000	1
· Vehicle Sales	0	0	(1,595)	(1,595)	
Capital Grants					2
· Disabled Facilities Grant	(1,760,500)	(1,760,500)	(1,760,573)	(73)	
· Tennis Facilities	(400,000)	(400,000)	0	400,000	
· Business Interaction Centre	(300,700)	0	0	0	
· General	(29,000)	(29,000)	(15,000)	14,000	
Capital Contributions					3
· Section 106	(379,400)	(294,900)	(248,479)	46,421	
· Disabled Facilities Grants	0	0	(37,066)	(37,066)	
· General	0	0	(1,500)	(1,500)	
Total	(5,623,600)	(5,238,400)	(2,632,250)	2,606,150	

Notes:

1. Receipts for 2018/19 are anticipated to be received from asset review sales (£2,754,000). A review of the disposal programme has been undertaken as part of the 2019/20 budget process and seeks to revise the receipts expected in year to £562,000. This was considered by Council on 5th February 2019. Included within general sales is £120,000 for Durranhill Industrial Estate which is required to repay the original grant received for the redevelopment work and which was a condition of the grant award.
2. Capital grants are received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body.
3. Contributions from Section 106 agreements to Crindledyke Cycleway (£138,700) and Affordable Homes (£156,200). Open Space Improvements (£84,500) is requested to be carried forward into 2019/20.

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 December 2018 debtors of £259,935 (£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 December 2018 totalled £127,739 (£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 now totalling £510,000 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. A risk assessment of the overall capital programme is included in **Appendix F**.

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 14 February 2019.

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 December 2018;
- (ii) Note adjustments to the 2018/19 capital programme as detailed in paragraph 2.1;
- (iii) Make recommendations to Council to approve reprofiling of £982,100 as detailed in para 3.3 and Appendix A from 2018/19 to 2019/20.

11. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

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Appendices A to F

attached to report:

Note: in compliance with section 100d of the Local Government Act 1972 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.

INFORMATION GOVERNANCE – There are no information governance implications.

2018/19 CAPITAL PROGRAMME
APPENDIX A

Scheme	Original Capital Programme 2018/19 £	Other Adjustments £	Proposed Carry Forwards £	Revised Capital Programme 2018/19 £
<u>Current non-recurring commitments</u>				
Play Area Green Gyms	25,000	0	(25,000)	0
Fusehill Street Play Area	35,000	6,100	0	41,100
Planning Software	150,000	0	0	150,000
Cemetery Infrastructure	30,000	0	0	30,000
Recycling Containers	45,000	17,100	0	62,100
Tennis Facilities	502,900	0	0	502,900
Cycle Track Development	12,700	38,000	0	50,700
Crindledyke Cycleway	128,700	44,900	0	173,600
Play Area Developments	4,000	48,000	0	52,000
Open Space Improvements	0	84,500	(84,500)	0
Kingstown Industrial Estate	9,800	0	0	9,800
Public Realm Improvements	4,600	700	0	5,300
Revenues & Benefits ICT Upgrades	45,200	0	0	45,200
Car Park Improvements	164,300	0	0	164,300
Affordable Homes (S106)	114,700	41,500	0	156,200
Sand Redevelopment	0	1,769,100	0	1,769,100
Central Plaza	(52,000)	650,000	0	598,000
Chancerygate	0	200,000	0	200,000
Asset Management Plan	0	150,000	0	150,000
	1,219,900	3,049,900	(109,500)	4,160,300
<u>Recurring commitments</u>				
Planned Enhancements to Council Property	170,000	9,300	0	179,300
Vehicles, Plant & Equipment	1,107,000	0	0	1,107,000
ICT Infrastructure	357,300	0	0	357,300
	1,634,300	9,300	0	1,643,600
<u>Disabled Facilities Grants</u>				
Private Sector Grants	3,079,400	293,200	(872,600)	2,500,000
Minor Works Grants	23,200	0	0	23,200
	3,102,600	293,200	(872,600)	2,523,200
TOTAL	5,956,800	3,352,400	(982,100)	8,327,100
<u>Capital Reserves to be released</u>				
Regeneration of Botchergate & London Road	247,000	(247,000)	0	0
Chatsworth/Portland Square Townscape		(295,000)	0	
Heritage Initiative	295,000			0
Business Interaction Centre	510,000	0	0	510,000
Public Realm Improvements	380,000	(380,000)	0	0
	1,432,000	(922,000)	0	510,000
REVISED TOTAL	7,388,800	2,430,400	(982,100)	8,837,100

DECEMBER 2018 - CAPITAL BUDGET MONITORING

APPENDIX B

COMMUNITY SERVICES

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Cemetery Infrastructure	30,000	0	30,000	7,500	6,130	(1,370)	Footbridge improvements underway.
Vehicles & Plant	1,107,000	0	1,107,000	187,400	184,772	(2,628)	Replacement of vehicle purchases in 2018/19 on target to date. Slippage into 2019/20 expected.
Play Area Developments	93,100	0	93,100	36,000	35,935	(65)	Individual schemes progressing as planned.
Crindledyke Cycleway (S106)	173,600	0	173,600	173,600	176,511	2,911	Funded by Section 106 monies. Phase 2 complete.
Open Space Improvements	84,500	(84,500)	0	0	0	0	Funded by Section 106 monies. Work now planned for 2019/20.
Green Gyms	25,000	(25,000)	0	0	0	0	Budget released by Executive 30/05/18 (CS27/18). Work now planned for 2019/20.
Tennis Facilities	502,900	0	502,900	8,550	8,869	319	Approved by Council 08/09/15 (SD16/15).
Cycle Track Developments	50,700	0	50,700	50,700	49,728	(972)	Budget carried forward from 2017/18. Project complete.
Sands Centre Redevelopment	1,769,100		1,769,100	783,895	783,896	1	Budget approved by Council 06/03/18 (CS16/18). Progressing as planned.
Car Park Improvements	164,300	0	164,300	0	0	0	Work is now complete on all 3 sites and invoice from contractor is due.
Waste Minimisation	62,100	0	62,100	62,100	66,726	4,626	Purchase of waste receptacles are overspent against the annual budget.
Grand Total	4,062,300	(109,500)	3,952,800	1,309,745	1,312,567	2,822	

DECEMBER 2018 - CAPITAL BUDGET MONITORING

APPENDIX C

CORPORATE SUPPORT

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
ICT Infrastructure	357,300	0	357,300	213,588	215,886	2,298	Part of ICT Strategy Business Case.
Revenues and Benefits ICT Upgrades	45,200	0	45,200	30,135	0	(30,135)	Budget carried forward as part of ICT Strategy.
Grand Total	402,500	0	402,500	243,723	215,886	(27,837)	

DECEMBER 2018 - CAPITAL BUDGET MONITORING

APPENDIX D

ECONOMIC DEVELOPMENT

Scheme	Annual Budget £	Proposed Carry Forwards £	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
EA Central Plaza	598,000	0	598,000	598,000	599,881	1,881	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 approved to fund these emergency works.
Public Realm Work	5,300	0	5,300	5,300	5,530	230	Project Plan has been implemented in line with revised timescales.
Durranihill Industrial Estate	0	0	0	0	(14,962)	(14,962)	Refund received for expenditure incurred in previous years.
Planning Software	150,000	0	150,000	0	0	0	Project yet to start.
Affordable Homes	156,200	0	156,200	109,799	109,800	1	Approved by Executive 31/07/17 (ED24/17) and OD.065/18.
Grand Total	909,500	0	909,500	713,099	700,249	(12,850)	

DECEMBER 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	179,300	0	179,300	119,134	115,506	(3,628)	Individual projects progressing as planned.
Enhancements to Council Property - From Condition Surveys	0	0	0	0	37,483	37,483	Additional works agreed based on the outcome of condition surveys. Funding is being provided from the Revenue Carry Forward Reserve and will be released to cover costs prior to the year end.
Kingstown Industrial Estate Roads	9,800	0	9,800	7,352	0	(7,352)	Remaining budget required for additional public realm signage on the estate.
Minor Works Grants	23,200	0	23,200	17,404	0	(17,404)	Budget approved by Executive 04/04/16 (ED09/16).
Disabled Facilities Grants	3,372,600	(872,600)	2,500,000	2,217,214	1,574,492	(642,722)	Mandatory & Discretionary Grants being delivered in line with the Disabled Facilities Action Plan. The position is being closely monitored.
Asset Management Plan	150,000	0	150,000	0	224	224	Budget approved by Executive 23/07/18 (GD51/18).
Chancerygate	200,000	0	200,000	145,000	144,908	(92)	Development and Improvement costs associated with the Junction 44 development to be funded from earmarked reserve.
Grand Total	3,934,900	(872,600)	3,062,300	2,506,104	1,872,613	(633,491)	

Capital Programme – Risk Assessment

Risk	Likelihood	Impact	Mitigation
Capital projects are approved without a full appraisal of the project and associated business case.	Remote	Marginal	Strengthen the role of Transformation Sub-Group when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Reasonably Probable	Marginal	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning. This may need to be reviewed if major schemes progress, e.g. Sands
VAT partial exemption rules are not considered.	Reasonably Probable	High	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	Marginal	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Probable	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. MHCLG grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from PRTB/Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.