

# Report to Executive

Agenda  
Item:  
  
**A.7**

Meeting Date: 2<sup>nd</sup> February 2015  
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 2014  
Report of: DIRECTOR OF RESOURCES  
Report Number: RD58/14

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to December 2014.

## 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 2014.

## Tracking

Executive:	<b>2<sup>nd</sup> February 2015</b>
Overview and Scrutiny:	<b>5<sup>th</sup> March 2015</b>
Council:	

## **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 2014/15:

<b>2014/15 Capital Budget</b>	<b>£</b>
<b>2014/15 Capital Programme (RD08/14 Council 15/07/14)</b>	<b>9,716,100</b>
Direct Revenue Financing - Vehicle Replacements	10,000
Reprofiling of Asset Review expenditure to 2015/16 (subject to Council Approval)	(1,800,000)
Direct Revenue Financing - Capital Enhancements to Council Properties (Equipment & Fittings at the Arts Centre)	26,000
Direct Revenue Financing - Castle Street Public Realm	9,100
<b>Revised 2014/15 Capital Programme (at December 2014)</b>	<b>7,961,200</b>
Less Capital Reserves to be released by Executive	(777,000)
<b>Revised 2014/15 Capital Programme (released)</b>	<b>7,184,200</b>

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

### 3. 2014/15 BUDGET MONITORING

3.1 The position statement as at December 2014 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Chief Executive's Team	0	0	1,215	1,215	-
Deputy Chief Executive's Team	2,155,000	708,100	707,819	(281)	-
Economic Development	1,480,100	840,968	549,186	(291,782)	3.3
Governance	1,400,000	1,100,000	1,100,000	0	-
Local Environment	952,200	225,942	236,876	10,934	-
Resources	1,196,900	677,046	670,408	(6,638)	-
<b>Total</b>	<b>7,184,200</b>	<b>3,552,056</b>	<b>3,265,504</b>	<b>(286,552)</b>	

The accounting treatment for those schemes still to be released by the Executive has been amended for this year to remove the projects from 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 G** with the main issues for each directorate being summarised in the paragraphs below.

3.2 As at the end of December, expenditure of £3,265,504 has been incurred. When considered against the profiled budget of £3,552,056 this equates to an underspend of £286,552.

3.3 The variance in Economic Development is attributable to the following:

- (i) An underspend on Disabled Facilities Grants. The take up of DFGs is reduced due to a reduced level of referrals being received. The position is being closely monitored to determine whether this will be an ongoing trend.
- (ii) An underspend on Empty Properties Initiative. A carry forward will be required at year end to honour commitments and allow the properties to be returned to use.

A further report will be presented to the Executive at a later date in relation to a new project being developed for Durranhill Industrial Estate. Additional funding is available to the City Council to support the proposed development and members of the Executive will be asked to consider whether to accept the offer of additional funding and to approve the inclusion of the proposed scheme within the Council's capital programme. The project will be entirely funded through external sources with no impact on the Council's capital resources.

- 3.4 A number of schemes are included in the capital programme for 2014/15 that require reports to be presented to the Executive for the release of funding before the projects can go ahead.

Scheme	Budget £	Note
Old Town Hall / Greenmarket	702,000	
Public Realm Improvements	75,000	
<b>Total Reserves to be released</b>	<b>777,000</b>	
Asset Review Expenditure	1,800,000	1

Note:

1. A request is made to Council to reprofile this expenditure from 2014/15 into 2015/16.

#### 4. FINANCING

- 4.1 The 2014/15 capital programme can be financed as follows:

	Original Budget £	Current Programme £
<b>Total Programme to be financed (para 2.1)</b>	<b>9,716,100</b>	<b>7,184,200</b>
Financed by:		
Capital Receipts (including PRTB receipts)	7,919,400	5,342,400
Capital Grants		
• Disabled Facilities Grant	663,000	663,000
• General	186,100	186,100
Direct Revenue Financing	187,800	232,900
Other Contributions	750,000	750,000
Earmarked Reserves	9,800	9,800
<b>Total Financing</b>	<b>9,716,100</b>	<b>7,184,200</b>

## 5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at December 2014 of the capital resources due to be received during 2014/15:

	2014/15 Revised Budget £	2014/15 Actual £	2014/15 Not yet received £	Note
Capital Receipts				
• General	(510,000)	(207,449)	302,551	1
• Asset Review	(1,925,000)	(281,500)	1,643,500	
• Vehicle Sales	0	(41,600)	(41,600)	2
• Renovation Grants repaid	0	(2,188)	(2,188)	
• PRTB Sharing agreement	(150,000)	0	150,000	3
Capital Grants				
• Disabled Facilities Grant	(663,000)	(681,394)	(18,394)	
• Empty Property Initiative	(159,100)	(159,175)	(75)	
• General	(27,000)	0	27,000	
Capital Contributions				
• Section 106	(750,000)	(65,307)	684,693	4
• Disabled Facilities Grant	0	(7,000)	(7,000)	
• General	0	(2,833)	(2,833)	
<b>Total</b>	<b>(4,184,100)</b>	<b>(1,448,446)</b>	<b>2,735,654</b>	

Notes:

1. Receipts for 2014/15 are anticipated to be received from the Lovells agreement (£10,000), general capital receipts (£250,000) and the sale of hostel premises (£250,000).
2. Included within vehicle sales are receipts of £41,600 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.

3. PRTB income for the year is received on 28 April following the year-end but is accrued into the relevant year. Based on the 7 sales as at December 2014, the current payment due to the Council for 2014/15 is £139,000; however it should be noted that updated information recently received from Riverside Group suggests that the income from PRTB receipts for 2014/15 is likely to be approximately £206,000 with a maximum of 9 sales projected during the year. This position is being monitored regularly and revised projections will be provided as part of the out-turn report.
4. Contributions from Section 106 agreements to Castle Way scheme (£340,400), Public Realm S106 (£349,600) and Dale End Road Play Area (£60,000).

## **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 2013/14 accounts, fixed assets totalled £151million (2012/13 £153million). 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 December 2014 debtors of £75,104 (£754,716 at 31 March 2014) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2013/14 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 December 2014 totalled £44,695 (£135,503 at 31 March 2014).

### 7. **PERFORMANCE**

- 7.1 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 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 £777,000 are being held in reserves until approved by Executive for release.
- 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.
- 7.4 The Revenue Budget Overview and Monitoring Report (RD57/14) considered elsewhere on the agenda recommends the establishment of an Improvements and Renewals Reserve with a balance of up to £300,000 from projected year end revenue underspends to help negate the need for Prudential Borrowing in future

years. It is further recommended that management of the Reserve rests with the Director of Resources with the use of the Reserve requiring Executive approval.

## **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 5<sup>th</sup> March 2015.

## **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 December 2014.

## **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.**

**Contact Officer: Emma Gillespie**

**Ext: 7289**

**Appendices A to G  
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**

**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 budget monitoring is part of this process

**Local Environment** – Not applicable

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

**2014/15 CAPITAL PROGRAMME**
**APPENDIX A**

Scheme	Original Capital Programme 2014/15 £	Other Adjustments £	Revised Capital Programme 2014/15 £
<b><u>Current non-recurring commitments</u></b>			
Public Realm (S106)	349,600	0	349,600
Castle Way (S106)	340,400	0	340,400
	<b>690,000</b>	<b>0</b>	<b>690,000</b>
<b><u>Recurring commitments</u></b>			
Asset Review Purchases/Expenditure	1,400,000	0	1,400,000
Planned Enhancements to Council Property	366,500	26,000	392,500
Enterprise Centre / West Walls	70,000	0	70,000
Vehicles, Plant & Equipment	322,500	10,000	332,500
ICT Infrastructure	319,900	0	319,900
	<b>2,478,900</b>	<b>36,000</b>	<b>2,514,900</b>
<b><u>New non-recurring commitments</u></b>			
Arts Centre	1,055,000	0	1,055,000
Old Town Hall Phase 2	368,000	0	368,000
Harraby School and Community Campus contribution	1,100,000	0	1,100,000
CCTV Initiative	89,000	0	89,000
Sheepmount Road	30,000	0	30,000
Bitts Park Access	10,000	0	10,000
	<b>2,652,000</b>	<b>0</b>	<b>2,652,000</b>
<b><u>Disabled Facilities Grants</u></b>			
Private Sector Grants	863,000		863,000
	<b>863,000</b>	<b>0</b>	<b>863,000</b>
<b><u>Continuing Schemes</u></b>			
Empty Property Initiative	209,100	0	209,100
Public Realm Improvements	25,000	0	25,000
Play Area Developments	69,000	0	69,000
Female & Families Accommodation	15,000	0	15,000
Kingstown Industrial Estate	9,800	0	9,800
Castle Street Public Realm	8,100	16,600	24,700
Waste Optimisation Software	9,200	0	9,200
Cenotaph & War Memorials	61,000	0	61,000
Employee Payment & Resource Management System	21,000	0	21,000
Connect 2 Cycleway	7,500	(7,500)	0
Clean Up Carlisle	20,500	0	20,500
	<b>455,200</b>	<b>9,100</b>	<b>464,300</b>
<b>TOTAL</b>	<b>7,139,100</b>	<b>45,100</b>	<b>7,184,200</b>
<b><u>Capital Reserves to be released</u></b>			
Asset Review Purchases/Expenditure (1)	1,800,000	(1,800,000)	0
Old Town Hall / Greenmarket	702,000	0	702,000
Public Realm Improvements	75,000	0	75,000
	<b>2,577,000</b>	<b>(1,800,000)</b>	<b>777,000</b>
<b>TOTAL</b>	<b>9,716,100</b>	<b>(1,754,900)</b>	<b>7,961,200</b>

(1) Budget reprofiled to future years subject to Council approval.

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX B****CHIEF EXECUTIVE'S TEAM**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Customer Services	0	0	1,215	1,215	Improvements to Civic Centre reception/foyer area funded from additional revenue income generated. (OD 14/13 26.03.13). Residual expenditure in 2014/15.
<b>Grand Total</b>	<b>0</b>	<b>0</b>	<b>1,215</b>	<b>1,215</b>	

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX C****DEPUTY CHIEF EXECUTIVE'S TEAM**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Art Centre	1,055,000	108,100	107,819	(281)	Revised scheme approved by Council (CD47/13 10/09/13). Project has been delayed due to an extended procurement process. Contractors commenced work on 4 October 2014.
Harraby School and Community Campus Contribution	1,100,000	600,000	600,000	0	Budget released by Executive 11/3/13 (SD02/13). Officer Decision 019.14 approved release of the first phase payment of £600,000.
<b>Grand Total</b>	<b>2,155,000</b>	<b>708,100</b>	<b>707,819</b>	<b>(281)</b>	

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX D****ECONOMIC DEVELOPMENT**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Public Realm Work	25,000	18,754	9,216	(9,538)	Budget released by Executive 10/03/14 (ED10/14). Project progressing as planned.
Old Town Hall Phase 2	368,000	34,151	35,120	969	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.
EA Central Plaza	0	0	2,397	2,397	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)
Disabled Facilities Grants	863,000	647,337	380,127	(267,210)	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	140,726	115,510	(25,216)	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. A carry forward will be required at year end to honour commitments.
Families Accommodation Replacement	15,000	0	810	810	Project complete. Remaining budget required to accommodate any operational requirements during the defects liability period.
HCA Durranhill Industrial Estate	0	0	6,006	6,006	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 will be presented to Executive at a later date proposing a revised programme of works.
<b>Grand Total</b>	<b>1,480,100</b>	<b>840,968</b>	<b>549,186</b>	<b>(291,782)</b>	

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX E****GOVERNANCE**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Asset Management Plan	1,400,000	1,100,000	1,100,000	0	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.
<b>Grand Total</b>	<b>1,400,000</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>0</b>	

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX F****LOCAL ENVIRONMENT**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Play Area Developments	69,000	60,000	73,026	13,026	Carry forward budget required to complete current schemes. Additional grant received for Dale End Road Play Area. Further contributions are expected towards Dale End Road Play Area which will can fund the overspend to date.
Kingstown Industrial Estate Roads	9,800	0	0	0	Remaining budget required for additional public realm signage.
Castle Street Public Realm Improvements	24,700	24,700	24,689	(11)	To complete scheduled works carried over from 2012/13. Traffic order finally approved and work planned for summer 2014.
Connect 2 Cycleway	0	0	0	0	Formal adoption of the cycleway now complete, remaining funds transferred to the Castle Street Public Realm project.
Clean Up Carlisle	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)	349,600	3,042	4,807	1,765	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies.
Castle Way (S106)	340,400	0	500	500	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies.
Waste Optimisation Software	9,200	9,200	9,150	(50)	Purchase and implementation of route optimisation software for Waste Services.
CCTV Future Enhancements	89,000	89,000	88,889	(111)	Budget released by Executive 12/05/14 (LE06/14).
Sheepmount Road	30,000	30,000	24,901	(5,099)	Budget released by Executive 15/09/14 (LE17/14).
Bitts Park Improvements	10,000	10,000	10,914	914	Budget released by Executive 15/09/14 (LE17/14).
<b>Grand Total</b>	<b>952,200</b>	<b>225,942</b>	<b>236,876</b>	<b>10,934</b>	

**DECEMBER 2014 - CAPITAL BUDGET MONITORING****APPENDIX G****RESOURCES**

Scheme	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
DIS Infrastructure	319,900	154,435	154,098	(337)	Part of Shared Service Business Case.
Planned Enhancements to Council Property (including additional reserves released for Enterprise Center & West Walls)	462,500	302,387	308,744	6,357	All improvements to Council property is currently on schedule. Additional budget released for Enterprise Centre and West Walls approved by Executive 15/09/14 (RD27/14). Budget has been increased by £26,000 from revenue to fund equipment & fittings at the Arts Centre.
Vehicles & Plant	332,500	155,000	164,693	9,693	Approved by Executive 18/08/14 (RD24/14). Replacement of vehicle purchases slipped from 2013/14 is on schedule. The overspend to date relates to the purchase of additional vehicles and will be contained within the overall budget provision for the year.
Employee Payment & Resource Management System	21,000	15,753	4,624	(11,129)	Approved by Executive 7/5/13 (RD07/13).
Cenotaph & War Memorials	61,000	49,471	38,249	(11,222)	Approved by Council 5/11/13 (RD34/13).
<b>Grand Total</b>	<b>1,196,900</b>	<b>677,046</b>	<b>670,408</b>	<b>(6,638)</b>	