

# Report to Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.4**

Meeting Date: 22 August 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 JUNE 2019  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD.21/19

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2019 which was considered by the Executive on 19 August 2019.

## Questions for / input required from Scrutiny:

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

## Recommendations:

Members of the Business & Transformation Scrutiny panel are asked to scrutinise the overall budgetary position for the period April to June 2019.

## Tracking

Executive:	<b>19 August 2019</b>
Scrutiny:	<b>22 August 2019</b>
Council:	<b>n/a</b>

# Report to Executive

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APRIL TO JUNE 2019  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 21/19

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2019.

## 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 2019;
- (ii) Note adjustments to the 2019/20 capital programme as detailed in paragraph 2.1.

## Tracking

Executive:	<b>19 August 2019</b>
Scrutiny:	<b>22 August 2019</b>
Council:	<b>n/a</b>

## **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 2019/20:

<b>2019/20 Capital Budget</b>	<b>£</b>
<b>Original 2019/20 Programme (approved Feb 2019)</b>	<b>25,071,200</b>
Carry forwards from 2018/19 (RD36/18 Council 05/03/19)	982,100
Reprofiling of Sands Centre Redevelopment (CS17/19 Council 25/06/19)	(5,572,200)
Carry forwards from 2018/19 (RD14/19 Council 16/07/19)	2,253,900
Additional Disabled Facilities Grant (RD14/19 Council 16/07/19)	432,500
S106 contributions towards Affordable Homes (OD.028/19)	4,000
Revenue contribution towards Digital Banner Replacement	20,500
<b>2019/20 Capital Programme (RD14/19 Council 16/07/19)</b>	<b>23,192,000</b>
Less Capital Reserves to be released by Executive (see para 3.7)	(415,000)
<b>Revised 2019/20 Capital Programme (released)</b>	<b>22,777,000</b>

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

### 3. 2019/20 BUDGET MONITORING

3.1 The position statement as at June 2019 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>
Community Services	12,386,300	136,294	147,101	10,807	3.3
Corporate Support	116,900	8,362	2,336	(6,026)	3.4
Economic Development	200,400	50,400	57,620	7,220	3.5
Governance & Regulatory Services	10,141,500	923,591	754,710	(168,881)	3.6
<b>Total</b>	<b>22,845,100</b>	<b>1,118,647</b>	<b>961,767</b>	<b>(156,880)</b>	
Flood Related Capital	(68,100)	0	0	0	
<b>Total</b>	<b>22,777,000</b>	<b>1,118,647</b>	<b>961,767</b>	<b>(156,880)</b>	
Reserves to be released	415,000	0	0	0	3.7
<b>Total</b>	<b>23,192,000</b>	<b>1,118,647</b>	<b>961,767</b>	<b>(156,880)</b>	



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 F** with the main issues being summarised in the paragraphs below.

- 3.2 As at the end of June, expenditure of £961,767 has been incurred on the Council's core capital programme. When considered against the profiled budget of £1,118,647 this equates to an underspend of £156,880.

The unspent balance remaining of the revised annual budget of £22,777,000 is £21,815,233. 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 Community Services is attributable to an overspend on the purchase of Waste Receptacles against the profiled budget to date.
- 3.4 The variance in Corporate Support is attributable to an underspend of £6,026 on ICT Upgrades against the profiled budget to date.

- 3.5 The variance in Economic Development is attributable to an overspend of £7,220 on Durranhill Industrial Estate due to additional footpath works that have been carried out. There is currently no budget allocated to fund these works.
- 3.6 The variance in Governance & Regulatory Services is attributable to an underspend of £164,150 on Disabled Facilities Grants. Spend in the first quarter of 2019/20 was £526,880 which is greater than the expenditure in the first quarter of 2018/19. Activity in the delivery of DFG is increasing. A revised Action Plan for Disabled Facilities Grants is being developed to further improve the delivery of DFGs.
- 3.7 A number of schemes are included in the capital programme for 2019/20 that require a report to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £
Play Area Improvements	35,000
Public Realm Improvements	380,000
<b>Total</b>	<b>415,000</b>

#### 4. FINANCING

- 4.1 The 2019/20 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
<b>Total Programme to be financed (para 2.1)</b>	<b>23,192,000</b>	<b>22,777,000</b>
Financed by:		
Capital Receipts / Internal Borrowing	17,545,400	17,130,400
Capital Grants		
• Disabled Facilities Grant	1,899,800	1,899,800
• General	2,024,700	2,024,700
Direct Revenue Financing	1,587,200	1,587,200
Other Contributions	134,900	134,900
Earmarked Reserves	0	0
<b>Total Financing</b>	<b>23,192,000</b>	<b>22,777,000</b>

#### 5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at June 2019 of the capital resources due to be received during 2019/20:

	2019/20 Annual Budget £	2019/20 Actual £	2019/20 Not yet received £	Note
Capital Receipts				
· General	0	(5,000)	(5,000)	1
· Asset Review	(1,700,000)	0	1,700,000	1
· Vehicle Sales	0	(27,700)	(27,700)	2
Capital Grants				3
· Disabled Facilities Grant	(1,899,800)	0	1,899,800	
· Sands Centre	(2,000,000)	0	2,000,000	
Capital Contributions				4
· Section 106	(134,900)	(50,400)	84,500	
· Disabled Facilities Grants	0	(11,354)	(11,354)	
· General	0	0	0	
<b>Total</b>	<b>(5,734,700)</b>	<b>(94,454)</b>	<b>5,640,246</b>	

Notes:

1. Receipts for 2019/20 are anticipated to be received from asset review sales (£1,700,000). Included within general sales are receipts of £5,000 that are below the de minimis for capital receipts and will be transferred to revenue.
2. Included within vehicle sales are receipts of £27,700 for individual vehicle sales that are below the de minimis for capital receipts. These will be transferred to revenue and the year end and will be used to fund the capital programme in line with the capital strategy.
3. Capital grants are received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body.
4. Contributions from Section 106 agreements to Affordable Homes (£50,400) and Open Space Improvements (£84,500).

## 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 2018/19 accounts, fixed assets totalled £157million (2017/18 £157million). This represents 94% 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 2019 debtors of £194,075 (£274,010 at 31 March 2019) 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 2019 totalled £108,046 (£449,990 at 31 March 2019).

### 7. PERFORMANCE

7.1 The 2019/20 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 £415,000 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 G**.

## **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 22 August 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 June 2019;
- (ii) Note adjustments to the 2019/20 capital programme as detailed in paragraph 2.1.

## **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 G**

**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.

**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 £
<b><u>Current non-recurring commitments</u></b>					
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 Reinstatement 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
	<b>21,895,000</b>	<b>109,500</b>	<b>901,200</b>	<b>(5,547,700)</b>	<b>17,358,000</b>
<b><u>Recurring commitments</u></b>					
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
	<b>1,293,900</b>	<b>0</b>	<b>922,400</b>	<b>0</b>	<b>2,216,300</b>
<b><u>Disabled Facilities Grants</u></b>					
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
	<b>1,467,300</b>	<b>872,600</b>	<b>430,300</b>	<b>432,500</b>	<b>3,202,700</b>
<b>TOTAL</b>	<b>24,656,200</b>	<b>982,100</b>	<b>2,253,900</b>	<b>(5,115,200)</b>	<b>22,777,000</b>
<b><u>Capital Reserves to be released</u></b>					
Play Area Improvements	35,000	0	0	0	35,000
Public Realm Improvements	380,000	0	0	0	380,000
	<b>415,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>415,000</b>
<b>REVISED TOTAL</b>	<b>25,071,200</b>	<b>982,100</b>	<b>2,253,900</b>	<b>(5,115,200)</b>	<b>23,192,000</b>

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

**COMMUNITY SERVICES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Civic Centre Digital Banner	20,500	0	0	0	Revenue contribution to capital approved under delegated authority to provide a replacement digital banner. The equipment is faulty and not possible to repair due to obsolete technology and therefore needs to be replaced.
Vehicles & Plant	1,724,800	32,400	32,040	(360)	Replacement of vehicles to date is within the allocated budgets. A revised replacement plan is being developed.
Cemetery Infrastructure	11,200	0	0	0	Footbridge improvements are underway and due to be completed in 2019/20.
Open Space Improvements	84,500	0	0	0	Funded by Section 106 monies.
Green Gyms	32,800	0	0	0	Project slipped from 2018/19.
Bitts Park/Tennis Reinstatement	94,000	0	0	0	Revenue contribution to capital towards the Bitts Park Tennis Facilities project has been carried forward into 2019/20 as potential funding towards a proposed scheme at Bitts Park. Further information will be presented to a future meeting.
Sands Centre Redevelopment	10,373,500	92,630	92,644	14	Budget reprofiled based on revised report approved by Council (CS.17/19 - 25/06/19).
Waste Minimisation	45,000	11,264	22,417	11,153	Purchase of waste receptacles are overspent against the profiled budget to date.
<b>Grand Total</b>	<b>12,386,300</b>	<b>136,294</b>	<b>147,101</b>	<b>10,807</b>	

**JUNE 2019 - CAPITAL BUDGET MONITORING****APPENDIX C****CORPORATE SUPPORT**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
ICT Infrastructure	116,900	8,362	2,336	(6,026)	Part of ICT Strategy Business Case.
<b>Grand Total</b>	<b>116,900</b>	<b>8,362</b>	<b>2,336</b>	<b>(6,026)</b>	

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Durranhill Industrial Estate	0	0	7,220	7,220	Additional footpath works for which there is currently no budget allocated.
Planning Software	150,000	0	0	0	Project yet to start.
Affordable Homes	50,400	50,400	50,400	0	S106 funding towards provision of Affordable Homes. Project now complete.
<b>Grand Total</b>	<b>200,400</b>	<b>50,400</b>	<b>57,620</b>	<b>7,220</b>	

**GOVERNANCE & REGULATORY SERVICES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Planned Enhancements to Council Property	329,600	50,061	40,127	(9,934)	Individual projects progressing as planned.
Property Acquisition	150,000	150,000	152,900	2,900	Property purchase now complete. Slight overspend in relation to stamp duty land tax.
Gateway 44	6,459,200	32,500	34,803	2,303	Development and Improvement costs associated with the Junction 44 development. Tenders are being assessed.
Minor Works Grants	23,200	0	0	0	Budget to be utilised towards Empty Homes Initiative.
Disabled Facilities Grants	3,179,500	691,030	526,880	(164,150)	Mandatory Grants. Increased grant allocation for 2018/19. The position is being closely monitored.
<b>Grand Total</b>	<b>10,141,500</b>	<b>923,591</b>	<b>754,710</b>	<b>(168,881)</b>	

**FLOOD RELATED CAPITAL EXPENDITURE**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
IC Buildings Flood Capital	(68,100)	0	0	0	Negative budget carry forward was in relation to expenditure incurred in 2018/19 on the reinstatement of Bitts Park and Civic Centre. Once schemes have been fully developed and approved, budgets will be released from reserves to cover both projected expenditure and also costs incurred in 2018/19.
<b>Grand Total</b>	<b>(68,100)</b>	<b>0</b>	<b>0</b>	<b>0</b>	



## APPENDIX G

### 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.