



# RESOURCES OVERVIEW AND SCRUTINY PANEL

## *Panel Report*

**Public**

**Date of Meeting:** 30 August 2012

**Title:** CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO JUNE 2012

**Report of:** Director of Resources

**Report reference:** RD22/12

### **Summary:**

This report provides an overview of the Council's budgetary position on the capital programme for the period April to June 2012 and was considered by the Executive on 6 August 2012.

### **Questions for / input required from Scrutiny:**

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

### **Recommendations:**

Members of the Resources Overview and Scrutiny Panel are asked to note the overall budgetary position for the period April to June 2012.

**Contact Officer:** Emma Gillespie

**Ext:** 7289

**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



# REPORT TO EXECUTIVE

## PORTFOLIO AREA: FINANCE, GOVERNANCE & RESOURCES

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Date of Meeting: 6 August 2012

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Public

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Key Decision: No

Recorded in Forward Plan:

No

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Inside Policy Framework

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**Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:  
APRIL TO JUNE 2012**

**Report of: DIRECTOR OF RESOURCES**

**Report reference: RD22/12**

### Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2012.

### 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 2012.

**Contact Officer:** Emma Gillespie

**Ext:** 7289

CITY OF CARLISLE

To: The Executive  
6 August 2012

RD22/12

CAPITAL BUDGET OVERVIEW AND MONITORING REPORT  
APRIL TO JUNE 2012

**1. BACKGROUND INFORMATION AND OPTIONS**

- 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 2012/13:

2012/13 Capital Budget	£
<b>Original 2012/13 Programme (approved Feb 2012)</b>	<b>10,940,500</b>
Direct Revenue Financing - Talkin Tarn	95,000
Direct Revenue Financing adjustment - Old Town Hall	(8,700)
Direct Revenue Financing - Vehicle Replacements	8,900
Additional contributions - Castle Way Cycle Ramp (RD01/12 Exec 5/4/12)	370,000
<b>Revised 2012/13 Capital Programme (at June 2012)</b>	<b>11,405,700</b>
Carry forwards from 2011/12 (RD10/12 Council 17/7/12)	1,692,800
<b>Revised 2012/13 Capital Programme (after carry forwards)</b>	<b>13,098,500</b>

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

## 3. 2012/13 BUDGET MONITORING

3.1 The position statement as at June 2012 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Resources	6,908,200	68,710	90,350	21,640	3.3
Community Engagement	2,608,600	177,994	180,709	2,715	3.4
Local Environment	1,187,300	131,294	129,639	(1,655)	3.5
Economic Development	2,394,400	0	7,550	7,550	3.6
<b>Total</b>	<b>13,098,500</b>	<b>377,998</b>	<b>408,248</b>	<b>30,250</b>	

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

3.2 As at the end of June, expenditure of £408,248 has been incurred. When considered against the profiled budget of £377,998 this equates to an overspend of £30,250.

The unspent balance remaining of the revised annual budget of £13,098,500 is £12,690,252. 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 Resources is attributable to the following:

- (i) An overspend on the purchase of a new franking machine. This was a necessary purchase to accommodate changes introduced by the Postal service.
- (ii) An overspend on the Asset Management Plan to date. Expenditure remains within the annual budget.

- 3.4 There are no significant variances to date in Community Engagement.
- 3.5 There are no significant variances to date in Local Environment.
- 3.6 The variance in Economic Development is attributable to the following:  
 (i) An overspend on Central Plaza conservation works. Funding is being provided from the City Council's Historic Buildings Conservation Reserve.
- 3.7 The allocation of £300,000 Enhancements to Council Property was approved at a previous Executive meeting. A revision to the original allocation is required to allow improvements to the Enterprise Centre due to the transfer of management to the Civic Centre up to a value of £25,000.
- 3.8 A number of schemes are included in the capital programme for 2012/13 that require reports to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Note
Old Town Hall	580,000	
Vehicles and Plant	886,400	1
Economic Development Environmental Enhancements	1,778,800	
<b>Total</b>	<b>3,245,200</b>	

Note:

1. A report was presented to Executive on 2<sup>nd</sup> July requesting the release of this budget.

#### 4. FINANCING

4.1 The 2012/13 capital programme can be financed as follows:

	£
<b>Total Programme to be financed (para 2.1)</b>	<b>13,098,500</b>
<u>Financed by:</u>	
Capital Receipts (including PRTB receipts)	8,457,600
Capital Grants	
• Disabled Facilities Grant	663,000
• General	255,000
Direct Revenue Financing	379,700
Other Contributions	429,800
Earmarked Reserves	1,018,000
Internal Borrowing	1,895,400
<b>Total Financing</b>	<b>13,098,500</b>

#### 5. CAPITAL RESOURCES

The following table shows the position as at June 2012 of the capital resources due to be received during 2012/13:

	2012/13 Budget	2012/13 Actual	2012/13 Not yet received	Note
	£	£	£	
Capital Receipts				
· General	(680,000)	(85,188)	594,812	1
· Asset Review	(19,339,600)	(400,000)	18,939,600	1
· Renovation Grants repaid	0	(1,577)	(1,577)	
· PRTB Sharing agreement	(150,000)	0	150,000	2
Capital Grants				
· Disabled Facilities Grant	(663,000)	(663,000)	0	
· Old Town Hall	(255,000)	0	255,000	
· General	0	0	0	
Capital Contributions				
· Section 106	(415,000)	0	415,000	3
· General	0	0	0	
<b>Total</b>	<b>(21,502,600)</b>	<b>(1,149,765)</b>	<b>20,352,835</b>	

Notes:

1. Receipts for 2012/13 are anticipated to be received from the Lovells agreement (£180,000), general capital receipts (£250,000) and Hostel replacement (£250,000). The asset review sales anticipated to be received have been revised upwards to include the receipts from sales budgeted for in 2011/12 (£1,348,600) but not completed until 2012/13.

2. PRTB income for the year is received on 28 April following the year-end but is accrued into the relevant year. It should be noted that updated information has recently been received from Riverside Group forecasting that the income from PRTB receipts for 2012/13 is likely to be approximately £166,000 with a maximum of 4 sales projected during the year which is an increase of £16,000 on current budgets. As at 30 June there has been 1 sale.
3. Contributions from Section 106 agreements to Castle Way Cycle Ramp (£370,000) and Keenan Park Play Area (£45,000).

## **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 the Property section. 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 Income and Expenditure Account as appropriate.
- 6.3 The value of fixed assets is a significant part of the balance sheet. In the 2011/12 accounts, fixed assets totalled £167million (2010/11 £159million). This represents 92% 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 30 June 2012 debtors of £135,419 (£505,073 at 31 March 2012) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2011/12 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 June 2012 totalled £108,385 (£207,380 at 31 March 2012).

## 7. PERFORMANCE

7.1 The 2012/13 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.

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 Project Assurance 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. 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 30 August 2012.

## 9. RECOMMENDATIONS

(i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to June 2012.

## **10. REASONS FOR RECOMMENDATIONS**

As stated above.

## **11. IMPLICATIONS**

- Staffing/Resources – Not applicable
- Financial – Contained within the main body of the report
- Legal – Not applicable
- Corporate – SMT have been involved in the preparation of this report.
- Risk Management – Not applicable
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

## 12. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Assessment	Impact Yes/No?	Is the impact positive or negative?
<b>Equality Impact Screening</b> Does the policy/service impact on the following?		
Age	No	
Disability	Yes	Positive
Race	Yes	Positive
Gender/ Transgender	No	
Sexual Orientation	No	
Religion or belief	No	
Human Rights	No	
Health inequalities	Yes	Positive
Rurality	Yes	Positive

**If you consider there is either no impact or no negative impact, please give reasons:**

Capital Programme includes a range of positive projects that will directly benefit protected characteristics:

Disabled Facilities Grant budget, The Resource Centre, Play Area Development, Families Accommodation Replacement, Trinity MUGA, Play Trail.

**If an equality Impact is necessary, please contact the P&P team.**

PETER MASON  
Director of Resources

Contact Officer: Emma Gillespie

Ext: 7289

## 2012/13 CAPITAL PROGRAMME

## APPENDIX A

Scheme	Original Capital Programme 2012/13 £	Other Adjustments £	Revised Capital Programme 2012/13 £	Carry Forwards from 2011/12 £	Revised Capital Programme 2012/13 £
<b><u>Current non-recurring commitments</u></b>					
Families Accommodation Replacement	1,729,700		1,729,700	(12,800)	1,716,900
Old Town Hall	484,300	(8,700)	475,600	104,400	580,000
Econ Dev Environmental Enhancements	1,778,800		1,778,800		1,778,800
	<b>3,992,800</b>	<b>(8,700)</b>	<b>3,984,100</b>	<b>91,600</b>	<b>4,075,700</b>
<b><u>Recurring commitments</u></b>					
Asset Review Purchases	4,709,500		4,709,500		4,709,500
Planned Enhancements to Council Property	300,000		300,000	103,000	403,000
Vehicles, Plant & Equipment	886,400	108,900	995,300	446,600	1,441,900
ICT Shared Service	89,800		89,800	143,000	232,800
IT Equipment	99,000		99,000		99,000
	<b>6,084,700</b>	<b>108,900</b>	<b>6,193,600</b>	<b>692,600</b>	<b>6,886,200</b>
<b><u>New non-recurring commitments</u></b>					
Crematorium Extension	0		0	60,000	60,000
Talkin Tarn	0	95,000	95,000		95,000
Regeneration Projects	0		0	35,600	35,600
Castle Way Cycle Ramp	0	370,000	370,000	0	370,000
	<b>0</b>	<b>465,000</b>	<b>465,000</b>	<b>95,600</b>	<b>560,600</b>
<b><u>Disabled Facilities Grants</u></b>					
Private Sector Grants	863,000		863,000		863,000
	<b>863,000</b>	<b>0</b>	<b>863,000</b>	<b>0</b>	<b>863,000</b>
<b><u>Continuing Schemes</u></b>					
Play Area Developments	0		0	66,900	66,900
Environmental Enhancements	0		0	37,900	37,900
Trinity Church MUGA	0		0	7,700	7,700
Castle Street Public Realm	0		0	70,000	70,000
Community Resource & Training Centre	0		0	11,000	11,000
Kingstown Industrial Estate	0		0	468,000	468,000
Mechanical Sweepers	0	(100,000)	(100,000)	100,000	0
Document Image Processing	0		0	22,000	22,000
Connect 2 Cycleway	0		0	15,000	15,000
Customer Contact Centre	0		0	10,000	10,000
	<b>0</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>808,500</b>	<b>708,500</b>
<b><u>Flood</u></b>					
ODPM Private Sector Renewal	0		0	4,500	4,500
	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,500</b>	<b>4,500</b>
<b>TOTAL</b>	<b>10,940,500</b>	<b>465,200</b>	<b>11,405,700</b>	<b>1,692,800</b>	<b>13,098,500</b>