

Report to Executive

Agenda
Item:

A.7

Meeting Date: 9 November 2020
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 SEPTEMBER 2020
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD 37/20

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to September 2020.

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 September 2020;
- (ii) Note adjustments to the 2020/21 capital programme as detailed in paragraph 2.1.

Tracking

Executive:	9 November 2020
Scrutiny:	1 December 2020
Council:	n/a

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 2020/21:

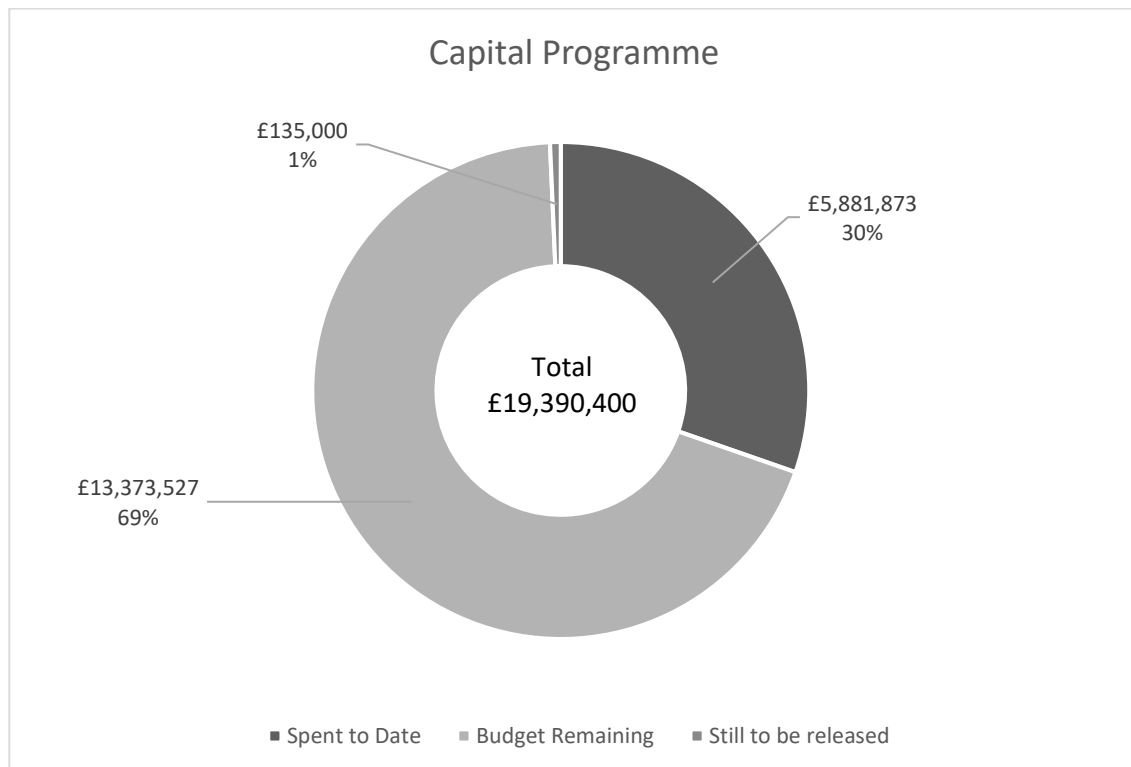
2020/21 Capital Budget	£
2020/21 Capital Programme (RD14/20 Council 14/07/20)	29,915,800
Virement from Planned Improvements of Council Properties to Civic	(20,000)
Grant received for Rough Sleeping Initiative (OD.65/20)	50,000
Reprofiling of Budget for Sands Centre (CS28/20 Council 13/10/2020)	(10,644,100)
S106 contribution towards Affordable Housing (OD.90/20)	50,700
S106 contribution towards Play Area Improvements (OD.84/20)	8,000
External Grant towards Play Area Improvements (OD.84/20)	30,000
Revised 2020/21 Capital Programme (at Sep 2020)	19,390,400
Less Capital Reserves to be released by Executive (see para 3.9)	(135,000)
Revised 2020/21 Capital Programme (released)	19,255,400

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

3. 2020/21 BUDGET MONITORING

3.1 The position statement as at September 2020 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Community Services	10,569,900	2,105,847	2,105,767	(80)	3.3
Corporate Support	311,000	69,356	69,354	(2)	3.4
Economic Development	213,000	12,300	14,940	2,640	3.5
Governance & Regulatory Services	8,139,600	4,393,920	3,679,692	(714,228)	3.6
Total	19,233,500	6,581,423	5,869,753	(711,670)	
Exceptional Items	21,900	14,700	12,120	(2,580)	3.7
Total	19,255,400	6,596,123	5,881,873	(714,250)	
Reserves to be released	135,000	0	0	0	3.9
Total	19,390,400	6,596,123	5,881,873	(714,250)	



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 September, expenditure of £5,881,873 has been incurred on the Council's core capital programme. When considered against the profiled budget of £6,596,123 this equates to an underspend of £714,250.
- 3.3 There are no significant variances to report in Community Services.
- 3.4 There are no significant variances to report in Corporate Support.
- 3.5 There are no significant variances to report in Economic Development.
- 3.6 The variance in Governance & Regulatory Services is attributable to an underspend of £702,295 on Disabled Facilities Grants. Spend to the end of the second quarter of 2020/21 was £730,582 which is less than the expenditure for the same period in 2019/20 (£1,098,488). The expenditure is less due to only essential grants being offered over the lock down period and contractors being furloughed at this time.

Grant work is now picking up and the DFG teams in Housing and Pollution and Homelife are very busy. It is anticipated that there will be some carry forward into a future year but it is expected that the full annual allocation of £1.8m funding will be spent by the year end. The position is being closely monitored.

- 3.7 There are no significant variances to report in Exceptional Items (Flood Recovery capital expenditure).
- 3.8 The unspent balance remaining of the revised annual budget of £19,255,400 is £13,373,527. A review of the 2020/21 capital programme will be undertaken to identify accurate project profiles for the remainder of the financial year, any potential slippage into future years and any financial impact COVID-19 may have on the capital budget in terms of spend and completion dates.
- 3.9 A number of schemes are included in the capital programme for 2020/21 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
Cemetery Infrastructure	30,000
Skew Bridge Deck	70,000
Total	135,000

4. FINANCING

- 4.1 The 2020/21 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
Total Programme to be financed (para 2.1)	19,390,400	19,255,400
<u>Financed by:</u>		
Capital Receipts / Borrowing	11,727,200	11,592,200
Capital Grants		
• Disabled Facilities Grant	1,899,800	1,899,800
• General	2,336,900	2,336,900
Direct Revenue Financing	3,223,100	3,223,100
Other Contributions	203,400	203,400
Earmarked Reserves	0	0
Total Financing	19,390,400	19,255,400

5. CAPITAL RESOURCES

5.1 The following table shows the position as at September 2020 of the capital resources due to be received during 2020/21:

	2020/21 Annual Budget £	2020/21 Revised Budget £	2020/21 Actual £	2020/21 Not yet received £	Note
Capital Receipts					
· General	(180,000)	(180,000)	(180,000)	0	1
· Asset Review	(1,898,000)	(1,208,000)	(5,000)	1,203,000	1
· Vehicle Sales	0	0	(27,850)	(27,850)	2
Capital Grants					3
· Disabled Facilities Grant	(1,899,800)	(1,899,800)	(1,899,764)	36	
· Sands Centre	(2,000,000)	(2,134,000)	0	2,134,000	
· On Street Charging	(203,700)	(203,700)	(7,747)	195,953	
· General	(110,000)	(110,000)	(80,000)	30,000	
Capital Contributions					4
· Section 106	(155,400)	(155,400)	(87,730)	67,670	
· Disabled Facilities Grants	0	0	(10,989)	(10,989)	
· Sands Centre	(48,000)	(48,000)	(48,047)	(47)	
Total	(6,494,900)	(5,938,900)	(2,347,127)	3,591,773	

Notes:

1. Receipts for 2020/21 are anticipated to be received from asset review sales (£1,208,000) and general sales (£180,000). The asset review receipts have been revised downwards and reprofiled into future years in line with the current Asset Disposal Plan receipts which are considered as part of the budget reports elsewhere on this agenda (RD33/20). 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 £27,850 for individual vehicle sales that are below the de minimis 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. Capital grants are received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body. The anticipated grant for the Sands Centre has been updated based on the revised capital programme considered elsewhere on this agenda (RD33/20).
4. Contributions from Section 106 agreements to Open Space Improvements (£80,700), Play Area Developments (£24,000) and Affordable Homes (£50,700).

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 2019/20 accounts, fixed assets totalled £156million (2018/19 £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 September 2020 debtors of £180,000 (£2,013,685 at 31 March 2020) 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 September 2020 totalled £208,319.34 (£1,054,384 at 31 March 2020).

7. PERFORMANCE

- 7.1 The 2020/21 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 £135,000 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 1 December 2020.

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 September 2020;
 - (ii) Note adjustments to the 2020/21 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.

PROPERTY SERVICES – Property asset implications are contained in the main body of the report.

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.

2020/21 CAPITAL PROGRAMME

APPENDIX A

Scheme	Original Capital Programme 2020/21 £	Carry Forwards from 2019/20 £	Carry Forwards from 2019/20 £	Other Adjustments £	Revised Capital Programme 2020/21 £
<u>Current non-recurring commitments</u>					
Sands Centre Redevelopment	10,962,200	5,037,800	679,300	(10,644,100)	6,035,200
On Street Charging Points Infrastructure	203,700	0	0	0	203,700
Gateway 44	0	5,000,000	21,900	(400,000)	4,621,900
Civic Centre Development	0	0	0	2,581,400	2,581,400
Funding carry forward to 2021/22 for Civic	0	0	0	0	0
Play Area Improvements	0	0	47,800	38,000	85,800
Open Space Improvements	0	0	80,700	0	80,700
Cemetery Infrastructure	0	0	5,700	0	5,700
Central Plaza	0	0	12,300	0	12,300
Planning Software	0	0	150,000	0	150,000
Bitts Park Flood Reinstatement	0	0	21,900	0	21,900
LED Footway Lighting Installation	203,100	0	0	11,700	214,800
Rough Sleeping Initiative	0	0	0	50,000	50,000
Affordable Housing	0	0	0	50,700	50,700
	11,369,000	10,037,800	1,019,600	(8,312,300)	14,114,100
<u>Recurring commitments</u>					
Planned Enhancements to Council Property	250,000	0	146,800	(31,700)	365,100
Vehicles, Plant & Equipment	648,000	0	884,400	0	1,532,400
Recycling Containers	45,000	0	0	0	45,000
ICT Infrastructure	281,300	0	29,700	0	311,000
	1,224,300	0	1,060,900	(31,700)	2,253,500
<u>Disabled Facilities Grants</u>					
Private Sector Grants	1,467,300	500,000	464,800	432,500	2,864,600
Empty Property Grants	0	0	23,200	0	23,200
	1,467,300	500,000	488,000	432,500	2,887,800
TOTAL	14,060,600	10,537,800	2,568,500	(7,911,500)	19,255,400
<u>Capital Reserves to be released</u>					
Cemetery Infrastructure	30,000	0	0	0	30,000
Skew Bridge Deck	70,000	0	0	0	70,000
Play Area Improvements	0	35,000	0	0	35,000
Public Realm Improvements	0	380,000	0	(380,000)	0
	100,000	415,000	0	(380,000)	135,000
REVISED TOTAL	14,160,600	10,952,800	2,568,500	(8,291,500)	19,390,400

SEPTEMBER 2020 - CAPITAL BUDGET MONITORING**APPENDIX B****COMMUNITY SERVICES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Vehicles & Plant	1,532,400	337,900	328,124	(9,776)	Replacement of vehicles to date is within the allocated budgets.
Cemetery Infrastructure	5,700	1,902	0	(1,902)	Further improvements to Fairy Beck due to be carried out in 2020/21.
On Street Charging Infrastructure	203,700	0	0	0	To install Electric Vehicle charge points at locations within Carlisle where residents have no access to off-street parking to encourage the uptake of electric vehicles. This project is fully funded by external grant.
Civic Centre Development	2,581,400	78,913	73,713	(5,200)	Project progressing as planned with advanced works currently underway.
Play Area Developments	85,800	47,800	47,750	(50)	Works complete at Carlisle Drive Play Area which were delayed due to Covid-19 restrictions.
Open Space Improvements	80,700	75,252	71,774	(3,478)	Fully funded by Section 106 monies.
Sands Centre Redevelopment	6,035,200	1,541,569	1,545,526	3,957	Capital expenditure for the enhancement work to Leisure Facilities. Progress is being monitored and a revised expenditure profile has been implemented to take account of delays as a result of Covid-19 restrictions.
Waste Minimisation	45,000	22,511	37,380	14,869	Purchase of waste receptacles are underspent against the profiled budget to date.
Skew Bridge Deck	0	0	1,500	1,500	Budget earmarked towards this scheme as part of the 2020/21 budget process subject to further reports to the Executive pending release of the funding.
Grand Total	10,569,900	2,105,847	2,105,767	(80)	

SEPTEMBER 2020 - 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	311,000	69,356	69,354	(2)	Part of ICT Strategy Business Case.
Grand Total	311,000	69,356	69,354	(2)	

SEPTEMBER 2020 - CAPITAL BUDGET MONITORING**APPENDIX D****ECONOMIC DEVELOPMENT**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Central Plaza	12,300	12,300	14,940	2,640	Budget required to fund remaining costs of emergency works at Central Plaza.
Planning Software	150,000	0	0	0	Project yet to start.
Affordable Housing	50,700	0	0	0	S106 funding towards provision of Affordable Homes.
Grand Total	213,000	12,300	14,940	2,640	

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	365,100	42,612	43,598	986	Individual projects progressing as planned.
Rough Sleeping Initiative	50,000	18,100	7,500	(10,600)	Capital grant received from MHCLG for the development of the Rough Sleeping Initiative.
Gateway 44	4,621,900	2,877,130	2,877,811	681	Development and Improvement costs associated with the Junction 44 development.
Disabled Facilities Grants	2,864,600	1,432,878	730,583	(702,295)	Mandatory Grants. Only essential grants were offered over the lock down period. Grant work is now picking up and the position is being closely monitored.
Empty Property Grants	23,200	23,200	20,200	(3,000)	Discretionary grants to assist getting empty properties back into use.
LED Footway Lighting Installation	214,800	0	0	0	To install Electric Vehicle charge points at locations within Carlisle where residents have no access to off-street parking to encourage the uptake of electric vehicles. This project is fully funded by external grant.
Grand Total	8,139,600	4,393,920	3,679,692	(714,228)	

SEPTEMBER 2020 - CAPITAL BUDGET MONITORING**APPENDIX F****EXCEPTIONAL ITEMS CAPITAL EXPENDITURE**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
IC Buildings Flood Capital	21,900	14,700	12,120	(2,580)	Budget carried forward in relation to approved expenditure on the reinstatement of Bitts Park.
Grand Total	21,900	14,700	12,120	(2,580)	

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	High	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.	Remote	High	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.
VAT partial exemption rules are not considered.	Remote	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 monitored nor reviewed (post contract) to ensure that the original business case assumptions have been achieved	Reasonably probable	Marginal	Better project management skills (including contract monitoring) have been introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects, including post contract reviews.
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	High	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	Remote	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 Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.