

# Report to Executive

Meeting Date: 31 August 2021  
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 2021  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD.33/21

## Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2021.

## 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 2021;
- (ii) Note the adjustments to the 2021/22 capital programme as detailed in paragraph 2.1.

## Tracking

Executive:	<b>31 August 2021</b>
Scrutiny:	<b>7 October 2021</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 2021/22:

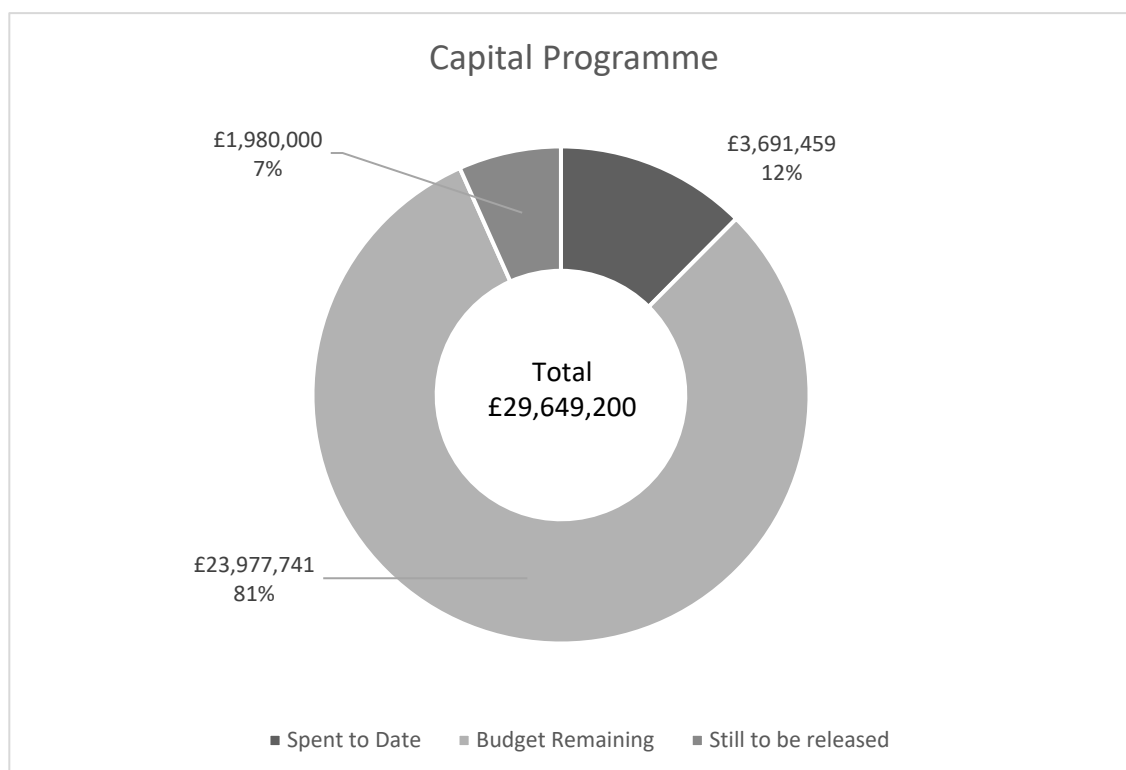
<b>2021/22 Capital Budget</b>	<b>£</b>
<b>Original 2021/22 Programme (approved Feb 2021)</b>	<b>19,070,400</b>
Carry forwards from 2020/21 (RD65/20 Council 02/03/21)	3,031,500
Carry forwards from 2020/21 (RD16/21 Council 20/07/21)	4,454,600
Increase for Empty Property Grants (GD13/21 Executive 08/03/21)	109,400
Increase from S106 contributions towards Play Area Improvements (OD26/21 & OD34/21)	153,200
Increase for Carlisle Citadels Project (LD02/21 23/02/21)	902,500
Increase for Swifts Wildlife Haven (OD27/21)	70,000
Increase for Bitts Park Water Feature (CS33/20 Executive 14/12/20)	10,500
Additional Disabled Facilities Grant (RD16/21 Council 20/07/21)	255,800
<b>2021/22 Capital Programme (RD16/21 Council 20/07/21)</b>	<b>28,057,900</b>
Increase for Tullie House Levelling Up Fund (ED17/21 Council 15/06/21)	1,500,000
Increase from S106 contributions for Bitts Park Public Realm (OD60/21)	32,000
Increase from S106 contributions towards Play Area Improvements (OD47/21)	5,000
Revenue Contribution towards Bitts Park Towns Deal	30,000
Increase for grant funding towards Litter Bin/infrastructure project	24,300
<b>Revised 2021/22 Capital Programme (at Jun 2021)</b>	<b>29,649,200</b>
Less Capital Reserves to be released by Executive (see para 3.7)	(1,980,000)
<b>Revised 2021/22 Capital Programme (released)</b>	<b>27,669,200</b>

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

### 3. 2021/22 BUDGET MONITORING

3.1 The position statement as at June 2021 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	20,420,700	2,999,989	3,008,170	8,181	3.3
Corporate Support	313,700	16,836	16,840	4	3.4
Economic Development	1,927,200	100,622	100,598	(24)	3.5
Governance & Regulatory Services	4,997,100	778,514	561,061	(217,453)	3.6
Exceptional Items	10,500	10,500	4,790	(5,710)	3.7
<b>Total</b>	<b>27,669,200</b>	<b>3,906,461</b>	<b>3,691,459</b>	<b>(215,002)</b>	
Reserves to be released	1,980,000	0	0	0	3.9
<b>Total</b>	<b>29,649,200</b>	<b>3,906,461</b>	<b>3,691,459</b>	<b>(215,002)</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 £3,691,459 has been incurred on the Council's core capital programme. When considered against the profiled budget of £3,906,461 this equates to an underspend of £215,002.
- 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 £225,529 on Disabled Facilities Grants. Spend in the first quarter of 2021/22 was £428,974 which is considerably higher than the expenditure in the first quarter of 2020/21 (£274,286). 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 £27,669,200 is £23,977,741. A review of the 2021/22 capital programme will be undertaken to identify accurate project profiles for the remainder of the financial year and any potential slippage into future years.
- 3.9 A number of schemes are included in the capital programme for 2021/22 that require a report to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Note
Cemetery Infrastructure	30,000	
Crematorium Infrastructure	350,000	
Future High Street Fund - Market Square	100,000	1
Tullie House Levelling Up Fund	1,500,000	
<b>Total</b>	<b>1,980,000</b>	

Note: (1) This budget was approved for release by the Executive on 5<sup>th</sup> July 2021.

#### 4. FINANCING

- 4.1 The 2021/22 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
<b>Total Programme to be financed (para 2.1)</b>	<b>29,649,200</b>	<b>27,669,200</b>
<u>Financed by:</u>		
Capital Receipts / Borrowing	1,491,000	1,491,000
Receipts Used to fund resources	(112,000)	(112,000)
Borrowing Requirement (in year)	21,439,700	19,809,700
Capital Grants		
• Disabled Facilities Grant	2,155,600	2,155,600
• General	2,349,900	2,349,900
Direct Revenue Financing	2,128,300	1,778,300
Other Contributions	196,700	196,700
<b>Total Financing</b>	<b>29,649,200</b>	<b>27,669,200</b>

#### 5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at June 2021 of the capital resources due to be received during 2021/22:

	2021/22 Annual Budget £	2021/22 Actual £	2021/22 Variance £	Note
Capital Receipts				
· Asset Review	(1,491,000)	0	1,491,000	1
· Used to fund resources	112,000	0	(112,000)	1
· Vehicle Sales	0	(13,360)	(13,360)	2
Capital Grants				3
· Disabled Facilities Grant	(2,155,600)	(2,155,574)	26	
· Future High Street Fund	0	(1,164,790)	(1,164,790)	
· Sands Centre	(134,000)	0	134,000	
· On Street Charging	(102,800)	(2,292)	100,508	
· General	(124,300)	(24,336)	99,964	
Capital Contributions				
· Section 106	(164,700)	(4,745)	159,955	4
· Disabled Facilities Grants	0	(9,831)	(9,831)	
· General	(32,000)	(32,000)	0	
<b>Total</b>	<b>(4,092,400)</b>	<b>(3,406,928)</b>	<b>685,472</b>	

Notes:

1. Receipts for 2021/22 are anticipated to be received from asset review sales (£1,491,000).
2. Included within vehicle sales are receipts of £13,360 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 generally received once associated capital expenditure has been incurred and the amounts then reclaimed from the sponsoring body. Capital grant in relation to Future High Street Fund has however been received in advance on expenditure and reports have now been approved by Executive and Council for budgets to be updated and the projects to progress as per the terms and conditions set out within the grant award.
4. Contributions from Section 106 agreements to Open Space Improvements (£164,700).

## 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 2020/21 accounts, fixed assets totalled £185million (2019/20 £187million). This represents 97% 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 2021 debtors of £189,750 (£298,188 at 31 March 2021) 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 2021 totalled £243,727 (£1,487,658 at 31 March 2021).

### 7. **PERFORMANCE**

7.1 The 2021/22 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 £1,980,000 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 7 October 2021.

## **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 2021;
- (ii) Note the adjustments to the 2021/22 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.

**2021/22 CAPITAL PROGRAMME**
**APPENDIX A**

Scheme	Original Capital Programme 2021/22 £	Carry Forwards from 2020/21 £	Carry Forwards from 2020/21 £	Other Adjustments £	Revised Capital Programme 2021/22 £
<b><u>Current non-recurring commitments</u></b>					
Sands Centre Redevelopment	15,236,700	700,000	985,900	0	16,922,600
Civic Centre Development	1,020,600	1,150,000	(89,000)	0	2,081,600
Energy Monitoring System	12,000	0	0	0	12,000
<i>Savings to Fund Civic Centre</i>	<i>(200,000)</i>	<i>0</i>	<i>0</i>	<i>200,000</i>	<i>0</i>
Cemetery Infrastructure	0	5,700	0	0	5,700
Skew Bridge Deck	0	68,500	(1,500)	0	67,000
Towns Deal - Bitts Park Improvements	0	125,000	(25,800)	30,000	129,200
Planning Software	0	150,000	0	0	150,000
Play Area Improvements	0	36,500	0	158,200	194,700
Carlisle Citadels	0	0	32,200	902,500	934,700
Towns Deal - Caldew Riverside	0	0	842,500	0	842,500
On Street Charging Points Infrastructure	0	0	102,800	0	102,800
Gateway 44	0	0	896,200	0	896,200
LED Footway Lighting Installation	0	0	29,700	0	29,700
Rough Sleeping Initiative	0	0	10,000	0	10,000
Swifts Wildlife Haven	0	0	0	70,000	70,000
IC All Risks - Bitts Park Water Feature	0	0	0	10,500	10,500
Bitts Park Public Realm	0	0	0	32,000	32,000
	<b>16,069,300</b>	<b>2,235,700</b>	<b>2,783,000</b>	<b>1,403,200</b>	<b>22,491,200</b>
<b><u>Recurring commitments</u></b>					
Planned Enhancements to Council Property	250,000	145,800	63,000	0	458,800
Vehicles, Plant & Equipment	255,000	0	781,600	(200,000)	836,600
Recycling Containers	45,000	0	0	24,300	69,300
ICT Infrastructure	101,300	150,000	62,400	0	313,700
	<b>651,300</b>	<b>295,800</b>	<b>907,000</b>	<b>(175,700)</b>	<b>1,678,400</b>
<b><u>Disabled Facilities Grants</u></b>					
Private Sector Grants	1,899,800	500,000	731,600	255,800	3,387,200
Empty Property Grants	0	0	3,000	109,400	112,400
	<b>1,899,800</b>	<b>500,000</b>	<b>734,600</b>	<b>365,200</b>	<b>3,499,600</b>
<b>TOTAL</b>	<b>18,620,400</b>	<b>3,031,500</b>	<b>4,424,600</b>	<b>1,592,700</b>	<b>27,669,200</b>
<b><u>Capital Reserves to be released</u></b>					
Crematorium Infrastructure	350,000	0	0	0	350,000
Future High Street Fund - Market Square	100,000	0	0	0	100,000
Cemetery Infrastructure	0	0	30,000	0	30,000
Tullie House Levelling Up Fund	0	0	0	1,500,000	1,500,000
	<b>450,000</b>	<b>0</b>	<b>30,000</b>	<b>1,500,000</b>	<b>1,980,000</b>
<b>REVISED TOTAL</b>	<b>19,070,400</b>	<b>3,031,500</b>	<b>4,454,600</b>	<b>3,092,700</b>	<b>29,649,200</b>

**COMMUNITY SERVICES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Vehicles & Plant	836,600	40,000	46,950	6,950	Replacement of vehicles will be contained within overall annual budget.
Cemetery Infrastructure	5,700	1,427	0	(1,427)	For further improvements to Fairy Beck due to be carried out in 2021/22.
Civic Centre Development	2,081,600	741,882	741,793	(89)	Project progressing as planned.
Play Area Developments	194,700	4,406	4,745	339	Projects progressing as planned.
Towns Deal - Bitts Park Improvements	129,200	32,339	39,098	6,759	Funding received from the Town Deal Capital Accelerated Fund and presented and approved by Executive 14/12/2020.
Skew Bridge Deck	67,000	0	(820)	(820)	Budget earmarked towards this scheme as part of the 2020/21 budget process. Released by Executive 13/01/2021.
Swifts Wildlife Haven	70,000	7,994	8,000	6	Externally funded project to transform the former Swifts driving range into an urban site for wildlife and people following the end of its use as a leisure facility.
Bitts Park Public Realm	32,000	0	0	0	Externally funded project to undertake public realm improvement works at Bitts Park.
Sands Centre Redevelopment	16,922,600	2,145,785	2,145,249	(536)	Capital expenditure for the enhancement work to Leisure Facilities. Progress is being monitored and is currently on schedule.
Waste Minimisation	69,300	23,152	23,155	3	Purchase of waste receptacles.
Energy Monitoring System	12,000	3,004	0	(3,004)	To provide an Energy Management System to be installed to monitor energy usage across Council owned property.
<b>Grand Total</b>	<b>20,420,700</b>	<b>2,999,989</b>	<b>3,008,170</b>	<b>8,181</b>	

**JUNE 2021 - 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	313,700	16,836	16,840	4	Part of ICT Strategy Business Case.
<b>Grand Total</b>	<b>313,700</b>	<b>16,836</b>	<b>16,840</b>	<b>4</b>	

**JUNE 2021 - CAPITAL BUDGET MONITORING****APPENDIX D****ECONOMIC DEVELOPMENT**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Carlisle Citadels	934,700	45,182	45,159	(23)	Project approved as per Leader Decision Notice (LD.02/21) and is due to complete in 2021/22.
Towns Deal - Caldew Riverside Remediation	842,500	55,440	55,439	(1)	Funding received from the Town Deal Capital Accelerated Fund and presented and approved by Executive 14/12/2020.
Planning Software	150,000	0	0	0	Project yet to start.
<b>Grand Total</b>	<b>1,927,200</b>	<b>100,622</b>	<b>100,598</b>	<b>(24)</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	458,800	55,290	65,236	9,946	Individual projects progressing as planned.
Rough Sleeping Initiative	10,000	0	0	0	Capital grant received from MHCLG for the development of the Rough Sleeping Initiative.
Gateway 44	896,200	35,580	35,585	5	Development and Improvement costs associated with the Junction 44 retail development.
Disabled Facilities Grants	3,387,200	654,503	428,974	(225,529)	Mandatory Grants. Grant work is picking up but it is still uncertain how this year's expenditure will be affected. The position is being closely monitored.
Empty Property Grants	112,400	0	(1,875)	(1,875)	Discretionary grants to assist getting empty properties back into use.
On Street Charging Infrastructure	102,800	20,302	20,301	(1)	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.
LED Footway Lighting Installation	29,700	12,839	12,840	1	To upgrade Footway Lights to LED lanterns throughout the District resulting in energy savings and increased reliability of the lights which should reduce future maintenance costs.
<b>Grand Total</b>	<b>4,997,100</b>	<b>778,514</b>	<b>561,061</b>	<b>(217,453)</b>	

**JUNE 2021 - 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	10,500	10,500	4,790	(5,710)	Budget carried forward in relation to approved expenditure on the reinstatement of Bitts Park.
<b>Grand Total</b>	<b>10,500</b>	<b>10,500</b>	<b>4,790</b>	<b>(5,710)</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	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.