

# REPORT TO EXECUTIVE

## PORTFOLIO AREA: GOVERNANCE & RESOURCES

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**Date of Meeting:** 27 June 2011

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**Public**

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**Key Decision:** Yes

**Recorded in Forward Plan:** Yes

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### Inside Policy Framework

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**Title:** PROVISIONAL CAPITAL OUTTURN 2010/11 AND REVISED CAPITAL PROGRAMME 2011/12

**Report of:** ASSISTANT DIRECTOR (RESOURCES)

**Report reference:** RD 11/11 (Amended)

### Summary:

This report summarises the 2010/11 provisional out-turn for the capital budget and provides details of the revised capital programme for 2011/12. The out-turn shows that the net underspend for Council Services as at 31 March 2011 once committed expenditure totalling £1,093,600 is taken into account is £464. A request for a carry forward for a new item of expenditure has been made, which would change the underspend to an overspend of £11,636.

It should be noted that the information contained in this report is provisional subject to the formal audit process. The Statement of Accounts for 2010/11 will be presented to the Audit Committee on 5 July, followed by a three-month audit process.

### Recommendations:

The Executive is asked to:

- (i) Note the net underspend as at 31 March 2011 of £464 which includes committed expenditure to be met totalling £1,073,600 in 2011/12 and £20,000 in 2012/13, which have been approved under delegated powers by the Assistant Director (Resources);
- (ii) Make recommendations to Council on 19 July on the carry forward request of £12,100 for new items of expenditure;

**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**

- (iii) Make recommendations to Council on 19 July on the use of the Sheepmount Reserve in 2010/11 to fund expenditure on Sheepmount Drainage;
- (iv) Note the use of the Millennium Artefacts provision to fund expenditure on Millennium Gallery and the Energy Efficiency Advice Reserve to fund expenditure on Fuel Poverty in 2010/11;
- (v) Consider the revised programme for 2011/12, as detailed in Appendix B, for recommendation to Council on 19 July;

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CARLISLE CITY COUNCIL

To: The Executive  
27 June 2011

RD 11/11

**PROVISIONAL CAPITAL OUTTURN 2010/11**  
**AND REVISED CAPITAL PROGRAMME 2011/12**

**1. BACKGROUND INFORMATION AND OPTIONS**

1.1 This report sets out the summarised financial out-turn for the Council's Capital Programme as follows:

- (i) the out-turn for individual schemes for 2010/11, summarised in **Appendix A**
- (ii) the revised programme for 2011/12, and the provisional programme for 2012/13 to 2015/16, summarised in **Appendix B**.

1.2 The report sets out the financial implications arising from the out-turn including the impact on capital resources for 2011/12. Members should note that the information contained in this report is provisional and subject to the formal audit process. Any significant changes required following the approval of the 2010/11 accounts will, if required, be reported to a future Executive meeting.

1.3 Please note that throughout this report the use of brackets represents a favourable variance i.e. either an underspend or additional income received.

**2. SUMMARY CAPITAL OUTTURN 2010/11**

2.1 The original capital programme of £11,334,200 for 2010/11 was approved in February 2010. Since then, a review of the capital programme has been undertaken and additional capital funding has been received. In accordance with proper accounting practices it has been necessary to gross up the expenditure budgets to properly reflect the total cost of the schemes including those fully funded from external grant/contributions.

The revised programme for 2010/11 of £9,675,700 is a result of the following funding streams:

	£
Original 2010/11 Programme (approved February 2010)	11,334,200
Agreed Carry Forwards from 2009/10 (RD10/10 Council 29/06/10)	1,459,100
Brought Forward from 2011/12 (RD10/10 Council 29/06/10)	6,000
Reprofiling of Housing Strategy into future years (CD03/10 Exec 04/06/10)	(400,000)
Agreed Carry forwards into 2011/12 (Report: RD53/10)	(4,054,400)
New Bids: (Report: RD53/10)	421,500
Return to Reserves pending further reports to Executive (Report: RD53/10)	(99,700)
Use of EEAC Reserve (DS100/09 Exec 14/12/09)	100,000
External contributions/grants	781,200
Schemes funded by Revenue budgets	127,800
<b>Revised 2010/11 Capital Programme</b>	<b>9,675,700</b>

2.2 The provisional out-turn position for the 2010/11 capital programme is shown below:

Directorate	Revised Annual Budget	Total Expenditure	Variance	Provision & Reserve funding	Revised Variance	Carry Forwards (Committed)	Final Variance
	£	£	£	£	£	£	£
Governance	0	12,188	12,188	12,188	0	0	0
Resources	1,637,100	1,174,122	(462,978)	0	(462,978)	462,300	(678)
Community Engagement	5,710,700	5,676,161	(34,539)	49,988	(84,527)	90,100	5,573
Local Environment	1,784,700	1,240,212	(544,488)	0	(544,488)	525,300	(19,188)
Economic Development	543,200	541,129	(2,071)	0	(2,071)	15,900	13,829
<b>Total</b>	<b>9,675,700</b>	<b>8,643,812</b>	<b>(1,031,888)</b>	<b>62,176</b>	<b>(1,094,064)</b>	<b>1,093,600</b>	<b>(464)</b>

2.3 The position for 2010/11 after committed carry forwards have been taken into account is an underspend of £464.

2.4 A carry forward of £12,100 has been requested for a new item of expenditure in relation to the purchase of waste receptacles and bins. This would change the net underspend to an overspend of £11,636.

2.5 Currently included in the Revenue Outturn is £829,900 of Highways Claimed Rights Expenditure and £829,900 Highways Claimed Rights income that

relates to capital schemes. In accordance with Capital Finance Regulations, this expenditure and income should be included in the Council's Capital Programme. There will be no impact on the overall bottom line in the Revenue and Capital Outturn as the expenditure is fully funded, however, this needs to be reflected correctly in the accounts. This is not currently reflected in the figures presented in this report.

- 2.6 The main overspend is attributable to the Sub Regional Employment Sites scheme. Additional work relating to asbestos was required due to damage caused to the site through vandalism. This was over and above the level of expenditure agreed to be funded within the funding agreement and other sources of funding are being investigated. A claim has been submitted to the Council's insurers to try and recover the additional costs incurred. The budget was increased accordingly as part of the 2011/12 budget process, and if unsuccessful, the Council may have to fund this additional expenditure (£223,800) as North West Development Agency have confirmed they are unable to make any further contributions.
- 2.7 Negative carry forwards occur when expenditure has been incurred ahead of the 2011/12 allocation. Some schemes resulted in overspend in the year and these have first call on the following year's budget. These are summarised below:

<b>Scheme</b>	<b>Variance ( £ )</b>	<b>Comments</b>
Planned Enhancements to Council Property	22,500	The main overspend occurred in relation to works at the Civic Centre and can be accommodated from within next year's budget allocation.
Roman Frontier	214,000	Work is ongoing with funding partners to revise the expenditure and funding agreements for this scheme and future year's budgets will be amended accordingly.
Econ Dev Environmental Enhancements	10,800	Preparatory work and advice on contaminated land ahead of 2011/12 budget allocation which can accommodate this expenditure.
<b>Total</b>	<b>247,300</b>	

- 2.8 Otherwise there are no reasons for concern, although some schemes have not been completed to the original timescales which has resulted in the request for carry forwards.

2.9 Further details for each directorate are included in **Appendices A1-A5**.

### **3. CARRY FORWARD REQUESTS**

3.1 In accordance with the Council's Constitution, any net underspending/savings on service estimates under the control of the Assistant Director may be carried forward. This is to facilitate the achievement of more strategic five year budgeting which requires greater flexibility of budgets between years as set out in the Medium Term Financial Plan. Approval of carry forwards is subject to the following as contained in the Council's Constitution:

- *the authorisation of the Assistant Director of Resources where the request relates to a specific committed item of expenditure where, due to external or other factors, the Assistant Director has been unable to spend the approved budget by 31 March. The use of the resource will be restricted to the purpose for which the estimate was originally intended. The carry forward will only be approved by the Assistant Director of Resources if the expenditure is within both the Directorate's and the Authority's budget as approved for that year. Any carry forward which would result in an over-spend for the Authority will require authorisation by the Council.*
- *any overspending on service estimates in total on budgets under the control of the Assistant Director must be carried forward to the following year, and will constitute the first call on service budgets in the following year, unless the Council determines otherwise by way of a supplementary estimate. The Assistant Director of Resources will report the extent of overspending carried forward to the Executive, Resources Overview and Scrutiny Panel and to the Council.*

The delegated power applies only in so far as the carry forwards do not take the Council into an overspend position.

- 3.2 Carry forwards at the end of the year have been analysed to assess the year of potential expenditure to enable better profiling of budgets for future years. Of the committed carry forwards shown in paragraph 2.2, it is estimated that £1,073,600 (net) will be spent in 2011/12 and £20,000 in 2012/13.
- 3.3 The carry forward in relation to the new item of expenditure (£12,100) is estimated to be spent in 2011/12.

#### 4. FINANCING OF CAPITAL PROGRAMME 2010/11

- 4.1 Utilisation of resources to fund the 2010/11 Capital Programme in light of the out-turn is provisionally estimated as follows:

	Revised Budget £	Provisional Out-turn £
Capital Programme expenditure in year	<b>9,675,700</b>	<b>8,643,812</b>
<b>Financed by:</b>		
Capital Receipts (including PRTB receipts) (note 1)	3,540,600	2,813,129
Capital Grants		
• Regional Housing Pot	768,000	768,000
• Disabled Facilities Grant (note 2)	663,000	663,000
• General	3,797,600	3,781,868
Reserves & Balances (note 2)		
• Reserves	100,000	107,485
• Direct Revenue Financing	179,700	115,736
Contributions from other bodies incl S106	626,800	394,594
<b>Total Financing</b>	<b>9,675,700</b>	<b>8,643,812</b>

#### Notes:

1. Usable capital receipts carried forward from 2009/10 and those generated during the year amount to £9,982,065 compared to the revised estimate figure of £11,073,304, a decrease of £1,091,239. This is due to £720,000 projected sales from the asset management plan not being achieved in the year, and lower than anticipated receipts from general sales, Lovells agreement and PRTB agreement being generated in 2010/11. Of the total sum available, £2,813,129 has been used to fund the Capital Programme in 2010/11, with the balance (£7,168,936) being carried forward to 2011/12 and held within the Capital Adjustment Account.
2. The use of capital receipts has been optimised in order to fund 2010/11 capital expenditure. Direct revenue funding, S106 receipts and earmarked reserves and provisions specifically set up to fund capital expenditure have also been used to fund capital expenditure in 2010/11. £49,988 has been funded from reserves in relation to Sheepmount Drainage and £45,309 in relation to Fuel Poverty measures, £46,237 has been funded from S106 receipts in relation to Lowry Hill, £12,188 has been funded from a provision in relation to



Gateway, and £115,736 has been funded through direct revenue financing for DDA Accessibility Improvements (£2,965), Vehicle Replacements (£1,800), Resource Centre (£8,600), Waste Minimisation (£50,474) and Roman Frontier (£51,897).

## **5 FIVE YEAR CAPITAL PROGRAMME**

5.1 A five-year Capital Programme for 2011/12 to 2015/16 is detailed in **Appendices B1-B2.**

5.2 The programme for **2011/12** totalling £10,616,200 is based upon the programme as agreed by Council in February 2011 of £9,376,100, the commitments brought forward from 2010/11 as identified above of £1,073,600, and additional budget of £166,500 approved by Council in April for Bousteads Grassing Demolition.

Approval of the carry forward for the new item of expenditure (£12,100 for Waste Minimisation) would increase the 2011/12 capital programme further to £10,628,300 and would increase the funding required from capital receipts.

5.3 It has been recognised that the carry forwards from 2010/11 has increased the 2011/12 capital programme and a further review is recommended to ensure that the Council has the capacity to deliver this level of capital programme. To this end, the 2011/12 programme needs to be reviewed by Project Officers to ensure that schemes can be completed in line with both the projected budget and projected timescales. One further possibility is the setting up of specific earmarked reserves for schemes not yet started so that schemes do not sit in the Capital Programme and be reported as underspends at the year end.

5.4 It is suggested that the revised programme for 2011/12 as detailed in Appendix B1 is financed as follows:

	<u>Original Budget</u> £	<u>Revised Budget</u> £
Original Programme	9,376,100	9,376,100
Add: Carried forward from 2010/11	0	1,073,600
Add: Additional budget approved by Council	0	166,500
<b>Total Expenditure to be financed</b>	<b>9,376,100</b>	<b>10,616,200</b>
<b><u>Financed by:</u></b>		
Capital Grants		
• DFG	663,000	663,000
• General	764,100	802,800
Capital Receipts (Note 1)	4,375,900	5,164,200
Contributions from other bodies	0	240,500
Direct Revenue Financing	35,000	163,700
Reserves & Borrowing	3,538,100	3,582,000
<b>Total Financing</b>	<b>9,376,100</b>	<b>10,616,200</b>

Notes:

1. £720,000 projected sales in 2010/11 from the asset management plan have been brought forward into 2011/12.
- 5.5 The proposed programme for **2012/13** as detailed in Appendix B2 totalling £6,047,100 is based upon the programme agreed by Council in February 2011 of £6,027,100 (£2,710,100 and £3,317,000 for asset review purchases) and £20,000 commitments brought forward from 2010/11.
- 5.6 The proposed programme for **2013/14** as detailed in Appendix B2 totalling £14,991,000 is based upon the programme as agreed by Council in February 2011 (£1,356,000 and £13,635,000 for asset review purchases).
- 5.7 The proposed programme for **2014/15** as detailed in Appendix B2 totalling £2,622,500 is based upon the programme as agreed by Council in February 2011 (£1,163,000 and £1,459,500 for asset review purchases).
- 5.8 The proposed programme for **2015/16** as detailed in Appendix B2 totalling £5,925,000 is based upon the programme as agreed by Council in February 2011 (£1,163,000 and £4,762,000 for asset review purchases).

## 6. CONSULTATION

### 6.1 Consultation to Date.

Portfolio Holders and SMT have considered the issues raised in this report.

- 6.2 Consultation proposed.  
Resources Overview and Scrutiny Panel considered the report on 16<sup>th</sup> June 2011.

## **7. RECOMMENDATIONS**

- 7.1 The Executive is asked to:
- (i) Note the net underspend as at 31 March 2011 of £464 which includes committed expenditure to be met totalling £1,073,600 in 2011/12 and £20,000 in 2012/13, which have been approved under delegated powers by the Assistant Director (Resources);
  - (ii) Make recommendations to Council on 19 July on the carry forward request of £12,100 for new items of expenditure;
  - (iii) Make recommendations to Council on 19 July on the use of the Sheepmount Reserve in 2010/11 to fund expenditure on Sheepmount Drainage;
  - (iv) Note the use of the Millennium Artefacts provision to fund expenditure on Millennium Gallery and the Energy Efficiency Advice Reserve to fund expenditure on Fuel Poverty in 2010/11;
  - (v) Consider the revised programme for 2011/12, as detailed in Appendix B, for recommendation to Council on 19 July;

## **8. REASONS FOR RECOMMENDATIONS**

As stated above.

## **9. 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 – Individual capital schemes have different risks attached.
- Equality Issues – Not applicable
- Environmental – Not applicable
- Crime and Disorder – Not applicable

## **10. IMPACT ASSESSMENTS**

**Does the change have an impact on the following?**

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

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

This report summarises the 2010/11 provisional out-turn for the capital budget and provides details of the revised capital programme for 2011/12. The report gives reasons for variances and has no direct impact on the above.

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

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