



REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE & RESOURCES

Date of Meeting: 30 August 2011

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2011

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD30/11

Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2011.

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 2011.

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

CITY OF CARLISLE

To: The Executive
30 August 2011

RD30/11

CAPITAL BUDGET OVERVIEW AND MONITORING REPORT APRIL TO JUNE 2011

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Assistant Director (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/Assistant Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Assistant Director (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 2011/12:

2011/12 Capital Budget	£
Original 2011/12 Programme (approved Feb 2011) including asset management plan	9,376,100
Additional contribution towards Disabled Facilities Grants	150,000
Additional contributions towards Play Area Schemes	31,900
Bousteads Grassing Demolition (RD81/10 Council 26/04/11)	166,500
Revised 2011/12 Capital Programme (at June 2011)	9,724,500
Carry forwards from 2010/11 (RD11/11 Council 19/07/11)	1,085,700
Revised 2011/12 Capital Programme (after carry forwards)	10,810,200

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

3. 2011/12 BUDGET MONITORING

3.1 The position statement as at June 2011 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Resources	3,058,800	30,149	60,886	30,737	3.3
Community Engagement	3,929,000	743,794	791,394	47,600	3.4
Local Environment	770,000	20,655	111,141	90,486	3.5
Economic Development	1,966,700	39,995	38,220	(1,775)	3.6
Total	9,724,500	834,593	1,001,641	167,048	

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

3.2 As at the end of June, expenditure of £1,001,641 has been incurred. When considered against the profiled budget of £834,593 this equates to an overspend of £167,048.

Council approval of carry forwards did not take place until July this year and this is the main reason for the overspend to date. Accurate profiling of the carry forward budgets would change the overspend position at the end of June to an under spend of £47,581.

Directorate	Revised Annual Budget £	Carry Forwards from 2010/11 £	Revised Annual Budget £	Variance to date £
Resources	3,058,800	462,300	3,521,100	30,737
Community Engagement	3,929,000	90,100	4,019,100	47,600
Local Environment	770,000	537,400	1,307,400	90,486
Economic Development	1,966,700	(4,100)	1,962,600	(1,775)
Total	9,724,500	1,085,700	10,810,200	167,048

The unspent balance remaining of the revised annual budget of £10,810,200 (including carry forwards) is £9,808,559. 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 Enhancements to Council Property. Expenditure remains within the annual budget and a report was considered by the Executive on 26th July requesting the release of the 2011/12 budget allocation. The expenditure profiles will subsequently be updated to reflect the proposed works.
- (ii) An underspend on Bousteads Grassing Demolition. The project is currently progressing and there are no areas of concern.

3.4 Community Engagement is responsible for a significant proportion of the City Council's 2011/12 capital programme. The variance in Community Engagement is mainly attributable to the following:

- (i) An underspend on Disabled Facilities grant to date. A new prioritisation system for DFGs has been implemented which balances control over the level of expenditure while minimising the risk to clients. Expenditure is expected to be lower in the initial period while the new process is embedded, but will increase and level out after about 4-5 months. Spending on this statutory service will be in line with recent year on year trends but because of a reduction in the overall regional housing grant to the City, it is anticipated that there will be a significant overspend on the allocated budget by the year end. Work is ongoing between Communities Housing and Health and Finance to monitor and address this. Additional funding is being sought from Social Care and Health as well as raising the issue with Government. Action is being taken to get better value for money through more effective procurement and work processes are also being reviewed using a 'lean' approach.

The new procedures for the approval of grants and reducing the overall capital expenditure on Disabled Facilities Grants will have a negative impact on the revenue income generated from fees.

- (ii) An overspend on Housing Strategy Decent Homes and Empty Homes to date which is eliminated by the approval of carry forwards from 2010/11 by Council in July.
- (iii) An overspend on City Play Trail to date. This project is externally funded and the overspend to date is eliminated due to the approval of carry forwards by Council.
- (iv) An overspend on Roman Frontier project to date. The capital element of the project is almost complete and claims are being submitted to the relevant funding partners. There are no areas of concern and the overspend to date is contained within the annual allocation.

3.5 The variance in Local Environment is mainly attributable to the following:

- (i) An overspend on Play Area Developments to date. The individual Play Area projects are funded by external contributions and grants. The projects slipped from 2010/11 and the approval of the carry forwards eliminates the overspend to date.
- (ii) An overspend on Chances Park to date. The capital element of this project is almost complete with funding coming from Heritage Lottery Fund. The overspend is due to the carry forwards not being approved by the end of June.

3.6 There are no significant variances to report in Economic Development.

3.7 A number of schemes are included in the capital programme for 2011/12 that require reports to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Note
Planned Enhancements to Council Property	530,000	1
Industrial Estates	499,100	2
Old Town Hall	67,000	
Vehicles and Plant	200,000	
Economic Development Environmental Enhancements	1,900,000	
Total	2,666,100	

Note:

1. A report was presented to Executive on 26th July requesting the release of this budget.
2. A report was presented to Executive on 26th July requesting release of a further £26,100 of this budget.

4. FINANCING

4.1 The 2011/12 capital programme can be financed as follows:

	Excluding Carry Forwards £	Including Carry Forwards £
Total Programme to be financed (para 2.1)	9,724,500	10,810,200
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	4,477,600	5,176,300
Capital Grants		
• Disabled Facilities Grant	663,000	663,000
• General	781,000	819,700
Direct Revenue Financing	99,800	163,700
Other Contributions	165,000	405,500
Earmarked Reserves	1,638,100	1,692,800
Internal Borrowing	1,900,000	1,889,200
Total Financing	9,724,500	10,810,200

5. CAPITAL RESOURCES

The following table shows the position as at June 2011 of the capital resources due to be received during 2011/12:

	2011/12 Budget £	2011/12 Budget (inc carry forwards) £	2011/12 Actual £	2011/12 Not yet received £	Note
Capital Receipts					
• General	(410,000)	(410,000)	0	410,000	1
• Asset Review	(3,200,000)	(3,920,000)	(223,000)	3,697,000	1
• Renovation Grants repaid	0	0	(3,498)	(3,498)	
• PRTB Sharing agreement	(300,000)	(300,000)	0	300,000	2
Capital Grants					
• Disabled Facilities Grant	(663,000)	(663,000)	(663,000)	0	
• Old Town Hall	(37,500)	(37,500)	0	37,500	
• Roman Frontier	(594,600)	(440,600)	0	440,600	
• Chances Park		(22,100)	0	22,100	
• General	(16,900)	(49,800)	(32,921)	16,879	3
Capital Contributions					
• Disabled Facilities Grants	(150,000)	(150,000)	(81,800)	68,200	4
• General	(15,000)	(69,800)	(15,000)	54,800	5
Total	(5,387,000)	(6,062,800)	(1,019,219)	5,043,581	

Notes:

1. Receipts for 2011/12 are anticipated to be received from the Lovells agreement (£160,000), and general capital receipts (£250,000). The asset review sales

anticipated to be received have been revised upwards to include the receipts from sales budgeted for in 2010/11 (£720,000) but not completed until 2011/12.

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 2011/12 is likely to be approximately £145,000 with a maximum of 4 sales projected during the year which is a shortfall of £155,000 on revised budgets. As at 30 June there have been 2 sales.
3. Grants are expected towards the cost of Play Area Developments (£16,900) and City Play Trail (£32,900).
4. Contribution from Riverside Group to help support Disabled Facilities Grants.
5. Contributions from other organisations are expected towards the cost of Trinity Church MUGA (£54,800) and Play Area Developments (£15,000).

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 2010/11 accounts, fixed assets totalled £159million (2009/10 £154million). 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 2011 debtors of £828,720 (£1.46million at 31 March 2011) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2010/11 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 2011 totalled £65,323 (£946,343 at 31 March 2011).

7. **PERFORMANCE**

7.1 The 2011/12 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. The review of the 2011/12 capital programme will reduce the level of carry forwards at the year end, but 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 Deputy 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 25 August 2011.

9. RECOMMENDATIONS

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to June 2011.

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?
Equality Impact Screening 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
Assistant Director (Resources)

Contact Officer: Emma Gillespie

Ext: 7289

2011/12 CAPITAL PROGRAMME

APPENDIX A

Scheme	Original Capital Programme 2011/12 £	Other Adjustments £	Revised Capital Programme 2011/12 £	Carry Forwards from 2010/11 £	Revised Capital Programme 2010/11 £
Current non-recurring commitments					
Families Accommodation Replacement	878,000		878,000	27,700	905,700
Old Town Hall	66,700		66,700		66,700
Resource Centre	1,493,400		1,493,400	69,900	1,563,300
Roman Frontier	654,600		654,600	(214,000)	440,600
Kingstown Industrial Estate	499,100		499,100		499,100
Willowholme Industrial Estate	139,000		139,000		139,000
Customer Contact Centre	90,000		90,000		90,000
Document Image Processing			0	45,000	45,000
	3,820,800	0	3,820,800	(71,400)	3,749,400
Recurring commitments					
Asset Review Purchases	1,842,500		1,842,500		1,842,500
Housing Strategy - Empty Homes			0	38,500	38,500
Housing Strategy - Decent Homes			0	54,700	54,700
Planned Enhancements to Council Property	530,000		530,000	(22,500)	507,500
Vehicles, Plant & Equipment	200,000		200,000	383,600	583,600
ICT Shared Service	145,800		145,800	56,200	202,000
IT Equipment	99,000		99,000		99,000
RBS Shared Service			0	32,900	32,900
	2,817,300	0	2,817,300	543,400	3,360,700
New non-recurring commitments					
Econ Dev Environmental Enhancements	1,900,000		1,900,000	(10,800)	1,889,200
Network Print Solutions	75,000		75,000		75,000
Mechanical Sweepers	100,000		100,000		100,000
Bousteads Grassing Demolition		166,500	166,500		166,500
	2,075,000	166,500	2,241,500	(10,800)	2,230,700
Disabled Facilities Grants					
Private Sector Grants	663,000	150,000	813,000		813,000
	663,000	150,000	813,000	0	813,000
Continuing Schemes					
City Play Trail			0	74,400	74,400
Play Area Developments		31,900	31,900	156,100	188,000
Environmental Enhancements			0	65,000	65,000
Trinity Church MUGA			0	127,800	127,800
Chances Park			0	22,100	22,100
Castle Street Public Realm			0	130,000	130,000
Waste Minimisation			0	12,100	12,100
Connect 2 Cycleway			0	15,000	15,000
Regeneration Improvements			0	6,700	6,700
	0	31,900	31,900	609,200	641,100
Flood					
ODPM Private Sector Renewal			0	9,300	9,300
Sheepmount Development			0	6,000	6,000
	0	0	0	15,300	15,300
TOTAL	9,376,100	348,400	9,724,500	1,085,700	10,810,200

JUNE 2011 - CAPITAL BUDGET MONITORING

APPENDIX B

RESOURCES

Scheme	Annual Budget	Carry Forwards From 2010/11	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
IT Shared Service	244,800	56,200	301,000	0	0	0	Part of Shared Service Business Case.
Planned Enhancements to Council Property	530,000	(22,500)	507,500	0	48,337	48,337	Report RD26/11 presented to Executive on 26th July 2011 requesting release of the full budget for individual schemes. Budget will be profiled accordingly.
Vehicles & Plant	200,000	383,600	583,600	0	0	0	Replacement plan was revised due to transformation. Budget to be released on a needs assessment basis by the Executive.
Energy Efficiency-Carbon Trust Initiative	0	0	0	0	5,510	5,510	Slippage of works from 2010/11.
Bousteads Grassing Demolition	166,500	0	166,500	30,149	7,039	(23,110)	Council approved the addition of this scheme to the 2011/12 capital programme in April 2011.
Document Image Processing	0	45,000	45,000	0	0	0	Discussions currently ongoing regarding requirements with completion expected by financial year end.
Network Print Solutions	75,000	0	75,000	0	0	0	Tenders complete with anticipated implementation September 2011.
Asset Management Plan	1,842,500	0	1,842,500	0	0	0	A five year Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs in the revenue account on a recurring basis is being developed.
Grand Total	3,058,800	462,300	3,521,100	30,149	60,886	30,737	

COMMUNITY ENGAGEMENT

Scheme	Annual Budget	Carry Forwards from 2010/11	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Customer Services	90,000	0	90,000	0	3,204	3,204	
Disabled Facilities Grants	813,000	0	813,000	203,494	145,455	(58,039)	A new prioritisation system for DFGs has been implemented which balances control over the level of expenditure while minimising the risk to clients. Expenditure is expected to be lower in the initial period while the new process is embedded, but will increase and level out after about 4-5 months. It is anticipated that there will be a significant overspend by the year end and work is ongoing with Housing and Finance to monitor and address this. Additional funding is being sought from Social Care and Health as well as raising the issue with Government. Action is being taken to get better value for money through more effective procurement. Work processes are also being reviewed using a 'lean' approach.
Housing Strategy - Decent Homes	0	54,700	54,700	0	14,162	14,162	Expenditure in relation to Fuel Poverty and is funded from the Energy Efficiency Advice Reserve.
Housing - Investment in Empty Homes	0	38,500	38,500	0	12,000	12,000	Outstanding commitments to grants from 2010/11.
Resource Centre	1,493,400	69,900	1,563,300	320,000	326,281	6,281	Project progressing as intended.
Ghyll Bank Gypsy & Travellers Site	0	0	0	0	328	328	Project complete.
Families Accommodation Replacement	878,000	27,700	905,700	0	0	0	
RBS Shared Service	0	32,900	32,900	0	0	0	Part of Shared Service Business Case.
Sheepmount Drainage	0	6,000	6,000	0	6,066	6,066	Project is funded from an earmark reserve and a carry forward for additional works approved.
Roman Frontier	654,600	(214,000)	440,600	220,300	237,991	17,691	Capital element of project nearing completion.
City Play Trail	0	74,400	74,400	0	45,907	45,907	External grant received to fund this project.
Grand Total	3,929,000	90,100	4,019,100	743,794	791,394	47,600	

LOCAL ENVIRONMENT

Scheme	Annual Budget	Carry Forwards from 2010/11	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
ODPM Private Sector Renewal	0	9,300	9,300	0	4,061	4,061	Budget required to complete ongoing flood works due for completion early 2011/12.
MUGA - Trinity Church	0	127,800	127,800	0	4,039	4,039	Contract awarded and work commenced 27th June 2011. Anticipated completion August 2011.
Play Areas	31,900	156,100	188,000	20,655	80,439	59,784	All schemes are externally funded and contained within level of carry forward.
Chances Park	0	22,100	22,100	0	12,023	12,023	Capital element of project nearing completion.
Environmental Improvements	0	65,000	65,000	0	86	86	Budget required to complete schemes approved in 2010/11.
Kingstown Industrial Estate Roads	499,100	0	499,100	0	0	0	
Willowholme Industrial Estate Roads	139,000	0	139,000	0	489	489	Project tendered and schedule of works agreed.
Castle Street Public Realm Improvements	0	130,000	130,000	0	8,167	8,167	Project to be completed by year end.
Connect 2 Cycleway	0	15,000	15,000	0	62	62	
Mechanical Sweepers	100,000	0	100,000	0	0	0	
Waste Minimisation	0	12,100	12,100	0	1,775	1,775	New bins.
Grand Total	770,000	537,400	1,307,400	20,655	111,141	90,486	

JUNE 2011 - CAPITAL BUDGET MONITORING**APPENDIX E****ECONOMIC DEVELOPMENT**

Scheme	Annual Budget	Carry Forwards from 2010/11	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Regeneration Improvements	0	6,700	6,700	0	0	0	Budget relates to match funding for the Citadel Court Square project
Old Town Hall - Strategic TIC	66,700	0	66,700	0	0	0	Project due to commence this year with main expenditure to be incurred in 2012/13.
Economic Development Environmental Enhancements	1,900,000	(10,800)	1,889,200	39,995	38,220	(1,775)	Expenditure in relation to advice on contaminated land.
Grand Total	1,966,700	(4,100)	1,962,600	39,995	38,220	(1,775)	