

Carlisle City Council

Report to Executive

Meeting Date: 30 August 2022
Portfolio: Finance, Governance and Resources
Key Decision: No
Policy and Budget Framework: Yes
Public / Private: Public

Title: Capital Budget Overview & Monitoring Report: April to June 2022
Report of: Corporate Director of Finance and Resources
Report Number: RD.32/22

Purpose / Summary:

This report provides an overview of the Council's overall budgetary position for the period April to June 2022 for the Council's capital programme.

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 2022;
- (ii) Note the adjustments to the 2022/23 capital programme as detailed in paragraph 2.1.

Tracking

Executive:	30 August 2022
Scrutiny:	6 October 2022 (People Panel)
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 service areas 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. Please note that throughout this report:
 - (i) the use of a bracket represents a favourable position i.e. either an underspend or additional income received,
 - (ii) the term 'underspend' is taken to include both reduced expenditure and/or increased income,
 - (iii) the term 'overspend' includes both spending above budget and/or shortfall in income.
- 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 2022/23:

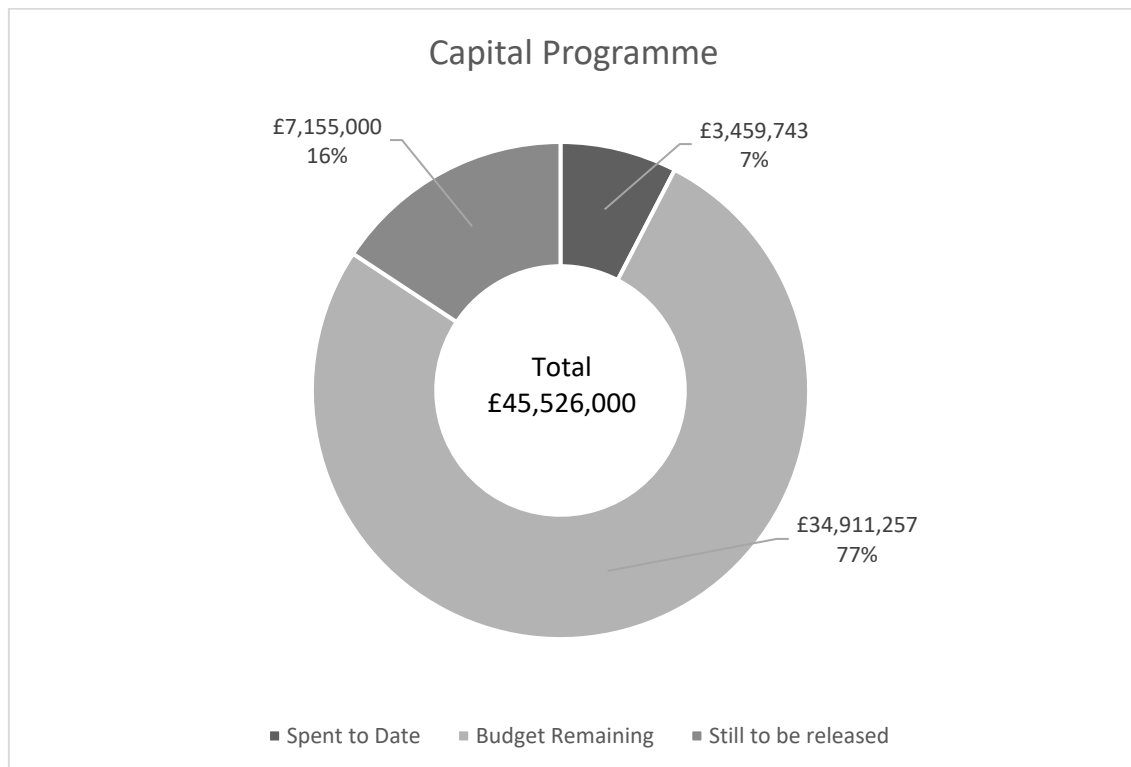
2022/23 Capital Budget	£
Original 2022/23 Programme (approved Feb 2022)	36,074,100
Carry forwards from 2021/22 (RD77/21 Council 01/03/22)	4,295,300
Carry forwards from 2021/22 (RD24/22 Council 19/07/22)	7,106,700
Reprofiling of Future High Street Projects (RD24/22 Council 19/07/22)	(2,284,500)
Additional Disabled Facilities Grant (RD16/21 Council 20/07/21)	255,800
2022/23 Capital Programme (RD24/22 Council 19/07/22)	45,447,400
Increase from S106 contributions towards Play Area Improvements (OD56/22 & OD57/22)	64,200
Increase from S106 contributions towards CCTV equipment (OD54/22)	1,900
Revenue Contribution towards the purchase of Waste Receptacles	12,500
Revised 2022/23 Capital Programme (at Jun 2022)	45,526,000
Less Capital Reserves to be released by Executive (see para 3.9)	(7,155,000)
Revised 2022/23 Capital Programme (released)	38,371,000

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

3. 2022/23 Budget Monitoring

3.1 The position as at June 2022 can be summarised as follows:

Directorate	Revised Annual Budget	Budget to Date	Spend to date	Variance to date	Para. Ref.
	£	£	£	£	
Community Services	9,280,100	2,921,991	2,935,726	13,735	3.3
Corporate Support	494,000	4,226	4,459	233	3.4
Economic Development	4,177,600	44,963	44,953	(10)	3.5
Finance and Resources	43,500	0	0	0	3.6
Governance & Regulatory Services	24,375,800	739,462	474,605	(264,857)	3.7
Total	38,371,000	3,710,642	3,459,743	(250,899)	
Reserves to be released	7,155,000	0	0	0	3.9
Total	45,526,000	3,710,642	3,459,743	(250,899)	



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 £3,459,743 has been incurred on the Council's core capital programme. When considered against the profiled budget of £3,710,642 this equates to an underspend of £250,899.
- 3.3 The variance in Community Services relates an overspend of £10,252 on Civic Centre Developments. Bitts Park Improvements. This position is currently being reviewed.
- 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 There are no significant variances to report in Finance and Resources.
- 3.7 The variance in Governance & Regulatory Services is attributable to an underspend of £261,161 on Disabled Facilities Grants. Spend in the first quarter of 2022/23 was

£444,817 which is consistent with the first half of 2021/22 (£428,974). The position is being closely monitored.

- 3.8 The unspent balance remaining of the revised annual budget of £38,371,000 is £34,911,257. A review of the 2022/23 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 2022/23 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	2,125,000	
Carlisle Southern Link Road	5,000,000	
Total	7,155,000	

4. Financing

- 4.1 The 2022/23 capital programme can be financed as follows:

	Annual Budget £	Current Programme £
Total Programme to be financed (para 2.1)	45,526,000	38,371,000
<u>Financed by:</u>		
Capital Receipts / Borrowing	285,500	285,500
Receipts Used to fund resources	(112,000)	(112,000)
Borrowing Requirement (in year)	16,256,100	10,426,100
Capital Grants		
• Disabled Facilities Grant	2,155,600	2,155,600
• Sustainable Warmth Grant	19,955,000	19,955,000
• Future High Street Fund	2,780,200	2,780,200
• General	933,700	933,700
Direct Revenue Financing	2,377,500	1,052,500
Other Contributions	894,400	894,400
Total Financing	45,526,000	38,371,000

5. Capital Resources

- 5.1 The following table shows the position as at June 2022 of capital resources due to be received during 2022/23:

	Annual Budget £	Actual £	Variance £	Note
Capital Receipts				
· Asset Review	(285,500)	0	285,500	1
· Used to fund resources	112,000	0	(112,000)	1
· Vehicle Sales	0	(20,191)	(20,191)	2
· Renovation Grants Repaid	0	(10,000)	(10,000)	2
Capital Grants				3
· Disabled Facilities Grant	(2,155,600)	(2,155,574)	26	
· Future High Street Fund	(1,739,900)	(1,217,906)	521,994	
· Sands Centre	(200,000)	0	200,000	
Capital Contributions				
· Section 106	(859,900)	(271,058)	588,842	4
· Disabled Facilities Grants	0	(1,971)	(1,971)	
· General	(34,500)	(32,000)	2,500	
Total	(5,163,400)	(3,708,700)	1,454,700	

Notes:

1. Receipts for 2022/23 are anticipated to be received from asset review sales (£285,500).
2. Included within vehicle sales are receipts of £6,131 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.
4. Contributions from Section 106 agreements to Play Area Improvements/CCTV Equipment (£259,100) and Affordable Housing (£600,800).

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 2021/22 accounts, fixed assets totalled £215million (2020/21 £191million). This represents 105% 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 2022 debtors of £327,313 (£342,313 at 31 March 2022) 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 2022 totalled £213,309 (£1,924,994 at 31 March 2022).
- 7. Performance**
- 7.1 The 2022/23 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 £7,155,000 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 at **Appendix G**. The most significant risk to the Council is the overall impact of inflation in terms of increased costs.

9. Consultation

- 9.1 Consultation to date.
SMT and JMT have considered the issues raised in this report.
- 9.2 Consultation Proposed
People Panel will consider the report on 6 October 2022.

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 2022;
 - (ii) Note the adjustments to the 2022/23 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 attached to report:

- A to G

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 within the main body of the report.

Finance - Financial implications are contained within 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.

2022/23 CAPITAL PROGRAMME
APPENDIX A

Scheme	Original Capital Programme 2022/23 £	Carry Forwards from 2021/22 £	Carry Forwards from 2021/22 £	Updated Capital Programme 2022/23 £	Other Adjustments £	Revised Capital Programme 2022/23 £
<u>Current non-recurring commitments</u>						
Sands Centre Redevelopment	3,450,200	0	3,240,900	6,691,100	0	6,691,100
Future High Street Fund - Market Square	1,011,800	377,300	80,000	1,469,100	(390,000)	1,079,100
Future High Street Fund - 6-24 Castle Street	510,700	42,600	110,700	664,000	(170,200)	493,800
Future High Street Fund - Central Plaza	1,787,300	632,400	37,500	2,457,200	(1,669,700)	787,500
Future High Street Fund - Devonshire Street	220,900	33,600	40,000	294,500	(54,500)	240,000
Future High Street Fund - Delivery Costs	122,500	33,400	24,000	179,900	(100)	179,800
Play Area Improvements	250,000	0	205,500	455,500	64,200	519,700
Sands Car Park Resurfacing	210,000	0	0	210,000	0	210,000
Swifts Car Park Resurfacing	200,000	0	0	200,000	0	200,000
Sustainable Warmth Competition	17,745,000	2,210,000	0	19,955,000	0	19,955,000
Bitts Park Public Realm	0	32,000	10,000	42,000	0	42,000
Energy Monitoring System	0	0	12,000	12,000	0	12,000
Cemetery Infrastructure	0	0	5,700	5,700	0	5,700
Planning Software	0	0	150,000	150,000	0	150,000
Towns Deal - Caldew Riverside	0	0	646,600	646,600	0	646,600
Gateway 44	0	0	300,000	300,000	0	300,000
Rough Sleeping Initiative	0	0	4,800	4,800	0	4,800
Financials Upgrade	0	0	43,500	43,500	0	43,500
Affordable Homes	0	0	600,800	600,800	0	600,800
CCTV Equipment	0	0	0	0	1,900	1,900
	25,508,400	3,361,300	5,512,000	34,381,700	(2,218,400)	32,163,300
<u>Recurring commitments</u>						
Planned Enhancements to Council Property	250,000	80,000	127,700	457,700	0	457,700
Vehicles, Plant & Equipment	1,185,500	0	366,700	1,552,200	0	1,552,200
Recycling Containers	45,000	0	0	45,000	12,500	57,500
ICT Infrastructure	410,400	54,000	29,600	494,000	0	494,000
	1,890,900	134,000	524,000	2,548,900	12,500	2,561,400
<u>Disabled Facilities Grants</u>						
Private Sector Grants	1,899,800	800,000	608,400	3,308,200	255,800	3,564,000
Empty Property Grants	0	0	82,300	82,300	0	82,300
	1,899,800	800,000	690,700	3,390,500	255,800	3,646,300
TOTAL	29,299,100	4,295,300	6,726,700	40,321,100	(1,950,100)	38,371,000
<u>Capital Reserves to be released</u>						
Crematorium Infrastructure	1,775,000	0	350,000	2,125,000	0	2,125,000
Carlisle Southern Link Road	5,000,000	0	0	5,000,000	0	5,000,000
Cemetery Infrastructure	0	0	30,000	30,000	0	30,000
	6,775,000	0	380,000	7,155,000	0	7,155,000
REVISED TOTAL	36,074,100	4,295,300	7,106,700	47,476,100	(1,950,100)	45,526,000

COMMUNITY SERVICES

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Vehicles & Plant	1,552,200	221,700	215,103	(6,597)	Replacement of vehicles will be contained within overall annual budget.
Cemetery Infrastructure	5,700	1,427	0	(1,427)	For further improvements to Cemetery due to be carried out in 2022/23.
Civic Centre Development	0	0	10,252	10,252	Final transactions being reviewed and budget will be identified as required.
Play Area Developments	519,700	289,424	304,658	15,234	Projects progressing as planned, additional S106 monies to be released into the budget.
Sands Car Park Resurfacing	210,000	0	0	0	Resurfacing and enhancement work to the Sands car park.
Swifts Car Park Resurfacing	200,000	0	0	0	Resurfacing and enhancement work to the Swifts car park which will serve as an overflow car park for the Sands.
Bitts Park Public Realm	42,000	10,513	0	(10,513)	Externally funded project to undertake public realm improvement works at Bitts Park.
Sands Centre Redevelopment	6,691,100	2,382,633	2,382,643	10	Capital expenditure for the enhancement work to Leisure Facilities. Progress is being monitored and is currently on schedule.
Recycling Containers	57,500	14,394	22,634	8,240	Purchase of waste receptacles.
CCTV Equipment	1,900	1,900	436	(1,464)	Fully funded by S106 monies.
Grand Total	9,280,100	2,921,991	2,935,726	13,735	

JUNE 2022 - 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	494,000	4,226	4,459	233	Part of ICT Strategy Business Case.
Grand Total	494,000	4,226	4,459	233	

ECONOMIC DEVELOPMENT

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Towns Deal - Caldew Riverside Remediation	646,600	14,290	14,316	26	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.
Future High Street Fund - 6-24 Castle Street	493,800	0	0	0	Increase to capital programme approved by Council (ED22/21 20/07/21)
Future High Street Fund - Central Plaza	787,500	0	0	0	
Future High Street Fund - Market Square	1,079,100	10,036	10,000	(36)	
Future High Street Fund - Devonshire Street	240,000	0	0	0	
Future High Street Fund - Delivery Costs	179,800	20,637	20,637	0	
Affordable Homes	600,800	0	0	0	Use of Affordable Homes Commuted Sums to bring empty properties back into use approved by Executive 02/08/2021 (ED25/21)
Grand Total	4,177,600	44,963	44,953	(10)	

JUNE 2022 - CAPITAL BUDGET MONITORING**APPENDIX E****FINANCE AND RESOURCES**

Scheme	Revised Annual Budget £	Budget to date £	Expenditure to date £	Variance to date £	Details of major variance
Financials Upgrade	43,500	0	0	0	To cover necessary improvements to the Financials System, fully funded from existing budgets.
Grand Total	43,500	0	0	0	

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	457,700	9,476	9,475	(1)	Individual projects progressing as planned.
Rough Sleeping Initiative	4,800	2,067	2,067	0	Capital grant received from DLUHC for the development of the Rough Sleeping Initiative.
Gateway 44	300,000	1,341	1,341	0	Development and Improvement costs associated with the Junction 44 retail development.
Disabled Facilities Grants	3,564,000	705,978	444,817	(261,161)	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	82,300	20,600	16,905	(3,695)	Discretionary grants to assist getting empty properties back into use.
Sustainable Warmth Competition	19,955,000	0	0	0	Externally funded project by Business Energy and Industrial Strategy (BEIS) to address fuel poverty, improve energy efficiency and carbon savings and help boost local economy with energy efficiency measures across Cumbria.
Energy Monitoring System	12,000	0	0	0	To provide an Energy Management System to be installed to monitor energy usage across Council owned property.
Grand Total	24,375,800	739,462	474,605	(264,857)	

Capital Programme – Risk Assessment

APPENDIX G

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 and/or are delayed due to the impact of COVID-19/Brexit on the supply of contractors and materials	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. Delays and increased costs due to COVID-19/significant inflationary increases	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. Government 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.