



REPORT TO EXECUTIVE

PORTFOLIO AREA: GOVERNANCE & RESOURCES

Date of Meeting: 14 February 2011

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO DECEMBER 2010

Report of: ASSISTANT DIRECTOR (RESOURCES)

Report reference: RD76/10

Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to December 2010.

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 December 2010.
- (ii) Approve the virement of £6,300 from the DDA Accessibility Improvements budget for use at the Resource Centre for DDA improvements
- (iii) Approve £37,000 from revenue underspends and additional income generated to be used as match funding for the purchase of a plastics and card vehicle
- (iv) Approve £42,200 from revenue underspends to be used to fund the purchase of bins and boxes within the Waste Minimisation project

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

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CITY OF CARLISLE

To: The Executive
14 February 2011

RD76/10

CAPITAL BUDGET OVERVIEW AND MONITORING REPORT APRIL TO DECEMBER 2010

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 2010/11:

2010/11 Capital Budget	£
Original 2010/11 Programme (approved Feb 2010)	11,334,200
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
Additional contribution for vehicles (RD10/10 Council 29/06/10)	2,400
Direct revenue financing for vehicles (RD10/10 Council 29/06/10)	1,800
2010/11 Capital Programme (RD10/10 Council 29/06/10)	12,803,500
Use of EEAC reserve for Housing Strategy - Decent Homes (DS100/09 Exec 14/12/09)	50,000
Reprofiling of Housing Strategy into future years (CD03/10 Exec 04/06/10)	(400,000)
Additional contributions towards West Walls & City Play Trail	76,900
Revised 2010/11 Capital Programme (at Sept 2010)	12,530,400
Return to Reserves pending further reports to Executive	(99,700)
Carry forwards into 2011/12	(4,054,400)
New bids for Capitalisation Directions and SRES	421,500
Revised 2010/11 Capital Programme (at per RD73/10)	8,797,800
Additional contribution towards Disabled Facilities Grants	300,000
Additional contribution towards City Play Trail	4,800
Direct revenue financing for Disabled adaptations at Resource	6,500
Use of EEAC reserve for Housing Strategy - Decent Homes	50,000
Revised 2010/11 Capital Programme (at Dec 2010)	9,159,100

Note:

Budget proposal presented to Council in February 2011 requested the approval of £4,054,400 to be carried forward into 2011/12, £99,700 to be returned to reserves and £421,500 to be added to the capital programme for new schemes. This reduced the annual budget to £8,797,800. Additional contributions and revenue funding have recently been identified and the revised capital programme for 2010/11 is now £9,159,100.

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

3. 2010/11 BUDGET MONITORING

3.1 The position statement as at December 2010 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Dec 2010 £	Expenditure to Dec 2010 £	Variance to date £	Further Carry forwards £	Para. Ref.
Governance	0	0	12,188	12,188	0	3.3
Resources	1,519,300	290,600	287,544	(3,056)	(387,500)	3.4
Community Engagement	5,587,200	2,243,720	2,043,500	(200,220)	(163,700)	3.5
Local Environment	1,531,500	1,003,827	900,182	(103,645)	(125,500)	3.6
Economic Development	521,100	287,752	496,375	208,623	0	3.7
Total	9,159,100	3,825,899	3,739,789	(86,110)	(676,700)	

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 December, expenditure of £3,739,789 has been incurred. When considered against the profiled budget of £3,825,899 this equates to an underspend of £86,110.

Council approved carry forwards of £1,459,100 from 2009/10 into the 2010/11 capital programme in June 2010 (RD10/10). Expenditure of £471,859 has been incurred, £29,700 has been taken as a saving and £504,100 has been carried forward into 2011/12 leaving £453,441 unspent as at December 2010.

The unspent balance remaining of the revised annual budget of £9,159,100 is £5,419,311. Additional carry forwards have been identified totalling £676,700. This reduces the balance remaining to be spent within the remainder of the year to £4,742,611. The carry forwards identified are summarised below:

Project	Carry forward identified £
Vehicles & Plant	(247,500)
ICT Shared Service	(140,000)
Resource & Training Centre	(163,700)
Trinity Church MUGA	(125,500)
Total	(676,700)

- 3.3 The budget within Governance for the Millennium Gallery has been returned to reserves as expenditure will be funded by a provision at the year end.
- 3.4 There are no significant variances to report in Resources. £70,000 has been brought forward from 2011/12 to 2010/11 for energy efficiency/sustainability measures at Tullie House. An application was submitted for a capitalisation direction to capitalise the one-off costs of the Transformation programme incurred in 2010/11. This has been successful and the budget has been increased accordingly.

A request is made to the Executive to approve £6,300 from the DDA Accessibility Improvements project to be vired for DDA enhancements at the Resource and Training Centre.

- 3.5 Community Engagement is responsible for over half the City Council's 2010/11 capital programme. The variance in Community Engagement is mainly attributable to the following:
- (i) An underspend on the Roman Frontier project. The expenditure profiles for this scheme are being revised and agreed with the funding bodies, and the budget will need revised accordingly.
 - (ii) An underspend on Disabled Facilities grant to date. An additional £300,000 contribution from Riverside group was received and the budget was increased accordingly. The budget is expected to be fully spent by the end of the financial year.
 - (iii) An overspend on Sheepmount Drainage. However this is funded by a provision at the year end which is sufficient to fund the level of expenditure incurred to date.
- 3.6 The variance in Local Environment is mainly attributable to the following:

- (i) An underspend on Environmental Enhancements. The 2010/11 allocation has to be confirmed for individual schemes which will amend the current budget profile.
- (ii) An underspend to date on Castle Street Public Realm Enhancements. The project is progressing well and is still expected to be completed by the end of the financial year.
- (iii) An overspend on Waste Minimisation relating to the purchase of wheeled bins. The Executive is asked to approve a request to vire £42,200 of underspends on revenue budgets within Waste Services to fund this expenditure.
- (iv) Carlisle City Council has been awarded a grant of £100,000 for the purchase of a plastics and card vehicle. The full cost of the vehicle is £137,000 and the Executive is again asked to approve a virement of £37,000 from the Waste Services revenue budgets to make up the additional capital funding.

Carlisle City Council has been awarded Play Builder capital grant of £106,700 for Play Areas at Chances Park and Acredale Road. The budget will be increased accordingly.

- 3.7 The variance in Economic Development 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. If unsuccessful, the Council may have to fund this additional expenditure (£210,000) as North West Development Agency had confirmed they are unable to make further contributions. The budget has been increased accordingly.

- 3.8 One project included in the capital programme for 2010/11 requires a report to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Note
Old Town Hall	20,000	

4. FINANCING

4.1 The 2010/11 capital programme can be financed as follows:

	£
Total Programme to be financed (para 2.1)	9,159,100
Financed by:	
Capital Receipts (including PRTB receipts)	3,540,600
Capital Grants	
• Regional Housing Pot	768,000
• Disabled Facilities Grant	663,000
• General	3,611,300
Direct Revenue Financing	11,300
Other Reserves and Contributions	564,900
Total Financing	9,159,100

5. CAPITAL RESOURCES

The following table shows the position as at December 2010 of the capital resources due to be received during 2010/11:

	2010/11 Original Budget £	2010/11 Revised Budget £	2010/11 Actual £	2010/11 Not yet received £	Note
Capital Receipts					
• General	(1,200,000)	(410,000)	(27,278)	382,722	1
• Asset Review	0	(720,000)	0	720,000	1
• Renovation Grants repaid	0	0	(23,602)	(23,602)	
• PRTB Sharing agreement	(400,000)	(202,000)	0	202,000	2
Capital Grants					
• Disabled Facilities Grant	(663,000)	(663,000)	(663,000)	0	
• Regional Housing Pot	(768,000)	(768,000)	(768,000)	0	
• Resource Centre	(1,130,000)	(998,000)	(1,130,000)	(132,000)	3
• Sub Regional Employment Sites	(277,700)	(277,700)	(278,313)	(613)	
• Old Town Hall	(880,000)	(20,000)	0	20,000	3
• Roman Frontier	(1,928,500)	(1,333,900)	0	1,333,900	3
• Chances Park	(234,000)	(234,000)	(144,001)	89,999	
• General	(76,900)	(76,900)	(43,839)	33,061	4
Capital Contributions					
• Disabled Facilities Grants	0	(300,000)	(288,833)	11,167	5
• General	(80,400)	(85,200)	(24,946)	60,254	6
Total	(7,638,500)	(6,088,700)	(3,391,812)	2,696,888	

Notes:

1. Receipts for 2010/11 have been revised in accordance with revised projections reported as part of the 2011/12 budget process and now include the proposed receipts from the Asset Management Review.
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 2010/11 is likely to be approximately £167,000 with a maximum of 6 sales projected during the year which is a shortfall of £35,000 on revised budgets. As at 31 December there have been 4 sales.
3. Funding has been reprofiled between years to match expenditure.
4. Grants are expected towards the cost of West wall Enhancements (£5,000) and City Play Trail (£71,900).
5. Contribution from Riverside Group to help support Disabled Facilities Grants.
6. Contributions from other organisations are expected towards the cost of Trinity Church MUGA (£78,000), vehicle replacements (£2,400) and City Play Trail (£4,800).

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 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 2009/10 accounts, fixed assets totalled £154million (2008/09 £143million). This represents 89% 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 31 December 2010 debtors of £182,363 (£2.07million at 31 March 2010) were outstanding for capital grants, contributions and receipts. PRTB receipts for 2009/10 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 December 2010 totalled £49,070 (£328,874 at 31 March 2010).

7. PERFORMANCE

- 7.1 The 2010/11 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. A full review of the capital programme over the life of the MTFP has been undertaken to identify accurate project profiles and potential savings that can be made. The outcome of this review has been considered as part of the 2011/12 budget setting process and is included in the figures detailed in this report. The review has reduced the level of carry forwards required at year end, but it is likely that there will still be a requirement for some carry forwards at the end of the year due to further slippage and delays on projects in the remainder of the year.

- 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 have considered the issues raised in this report.

8.2 Consultation Proposed

Resources Overview & Scrutiny Panel will consider the report on 17 February 2011.

9. RECOMMENDATIONS

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to December 2010.
- (ii) Approve the virement of £6,300 from the DDA Accessibility Improvements budget for use at the Resource Centre for DDA improvements
- (iii) Approve £37,000 from revenue underspends and additional income generated to be used as match funding for the purchase of a plastics and card vehicle
- (iv) Approve £42,200 from revenue underspends to be used to fund the purchase of replacement bins and boxes within the Waste Minimisation project

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, Housing Strategy (includes rural), Play Area Development, Families Accommodation Replacement, Harker Dene Site, Lowry Hill Park, Trinity MUGA, Play Trail.

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

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