

14 December 2016		ITEM: 12 (Decision 01104392)
Cabinet		
2016/17 Capital Monitoring Report – Quarter 2		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance and Legal Services		
Accountable Head of Service: Sean Clark, Director of Finance and IT		
Accountable Director: Sean Clark, Director of Finance and IT		
This report is Public		

Executive Summary

Cabinet last considered the 2016/17 Capital Programme at its meeting on 7 September 2016 (General Fund and Housing Revenue Account).

Since the last reported position, additional funding has been added to the programme and budgets have been profiled to realign them with expected spend.

This report reflects these changes and sets out the latest forecasted outturn position.

1. Recommendation(s)

That Cabinet:

- 1.1 Note the General Fund capital programme is projected to have available resources of £16.902m as at 31 March 2017, with this funding carried forward to 2017/18 to fund schemes currently in progress or under development;**
- 1.2 Note the Housing Revenue Account capital programme is currently forecasting an overspend of £0.502m, but work is being undertaken to eliminate this by the 31st March 2017.**

2. Introduction and Background

- 2.1 This report provides an update to Cabinet on the financial position of the capital programme and highlights significant variances. It is the second monitoring report for 2016/17 and is based on expenditure to the end of month 6 (the period 1st April 2016 to 30th September 2016) and projected expenditure for the remainder of the year.

2.2 Capital schemes and resources are identified in two specific categories:

- Mainstream schemes – capital expenditure funded through prudential (unsupported) borrowing, by the use of capital receipts, from the capital contribution from revenue budget or earmarked capital reserves.
- Specific schemes – capital expenditure funded through external funding sources, for example, government grants and Section 106 monies, ring fenced for specific projects.

3 General Fund Schemes

3.1 The current position for General Fund schemes in 2016/17 are summarised in Table 1 below.

Table 1: Capital Programme – Projected Outturn as at Month 6

	Latest Agreed Budget	Projected Outturn at 31/03/2017	Variance against budget
	£'000's	£'000's	£'000's
Expenditure:			
Children's Service ¹	17,646	10,039	(7,607)
Adult, Housing & Health	4,982	4,982	0
Environment and Place	40,211	33,528	(6,683)
Finance and IT	1,372	792	(580)
HR, OD & Transformation	5,238	3,206	(2,032)
Total Expenditure	69,449	52,547	(16,902)
Resources:			
Prudential Borrowing	(37,857)	(27,913)	9,944
Capital Receipts	(1,828)	(1,828)	0
Reserves	(178)	(236)	(58)
Government & Other Grants	(27,011)	(20,043)	6,968
Developers Contributions (S106)	(2,575)	(2,527)	48
Total Resources	(69,449)	(52,547)	16,902
Forecast Overspend in Resources	0	0	0

3.2 Table 1 illustrates a projected outturn at the end of the financial year of £52.547m, which is £16.902m less than the latest agreed budget for the year. This forecast variance is further analysed in Table 2 below.

¹ The schools capital budget is designed around academic years and officers are confident that this will be defrayed in full within the current academic year

Table 2: – Analysis of forecast variance

	Re-profiling of expenditure at Month 6	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 6
Expenditure:	£'000	£'000	£'000	£'000
Children's Service	(7,501)	0	(106)	(7,607)
Adult, Housing & Health	0	0	0	0
Environment and Place	(6,781)	366	(268)	(6,683)
Finance and IT	(580)	0	0	(580)
HR, OD & Transformation	(2,032)	0	0	(2,032)
Total	(16,894)	366	(374)	(16,902)

3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget reprofiling on current schemes (£16.894m). A list of schemes where the variance is greater than £0.25m is shown in Appendix 2. The largest of these relates to demand for school places where consultation is currently taking place for the expansion of 2 primary and 2 secondary schools (£5.578m). Work is expected to start on the selected schools during 2017/18 and is expected to cost £7m. The remaining funding will be added to the project from the 2017/18 Basic Need Grant and S106 developer contributions (£1.422m). In addition planned regeneration works to Grays South have been delayed due to changes in the project management (£3.065m).

3.4 Table 2 also shows that additional funding (£0.366m) will be required in 2016/17, to finance additional expenditure relating to the Olive Academy project, where ground issues have been identified during the build (contamination, poor soil, obstructions). In addition the roof required a redesign which has incurred additional costs. In total, a further £0.536m will be required for the project, with the remainder of the funding required in 2017/18. The additional expenditure will be financed by an increase to the projects prudential borrowing allocation.

4. Housing Revenue Account Schemes

4.1 The current position for Housing Revenue Account schemes in 2016/17 are summarised in Table 3 below.

Table 3: HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn at 31/03/2017
	£'000's	£'000's
Expenditure:		
Transforming Homes	10,000	10,502
Housing Development	6,831	3,455
Total Expenditure	16,831	13,957
Resources:		
Prudential Borrowing	(4,265)	(2,198)
Capital Receipts	(637)	(676)
Reserves	(634)	(250)
Government & Other Grants	(1,295)	(331)
Major Repairs Reserve	(10,000)	(10,000)
Total Resources	(16,831)	(13,455)
Forecast Overspend in Resources	0	502

- 4.2 The budget for the Transforming Homes project was set at £10m in 2016/17. This scheme is forecast to deliver 971 internal property completions and 701 external property completions during the year.
- 4.3 The overall Transforming Homes spend is being managed within the annual budget of £10m, however there continues to be a high number of property voids being identified outside of the programme timeframes. In order to bring these properties back to a lettable standard, they require additional capital investment. There have also been a number of properties which require structural intervention over and above the Transforming Homes specification; these are referred to as exceptions. As a result of this, there is a forecast pressure of £0.465m in relation to voids, and £0.037m pertaining to structural works.
- 4.4 The overall forecast outturn on the transforming homes project is currently £10.502m, which will result in an overspend of £0.502m, against the budget. The actual spend at the end of September 2016 is £5.3m.
- 4.5 The revised budget in 2016/17 for Development Schemes is currently 6.831m. The actual spend to date is £2.230m, with the forecast outturn currently £3.376m under budget. This is due largely to delays in scheme commencement, which is offset by increased residual spend on Seabrooke Rise, Bracelet Close and Derry Avenue. The overall cost of these schemes is in line with available resources.

- 4.6 Table 3 shows that the overall position on the HRA capital programme is currently forecasting expenditure which exceeds the total budgeted available resources. Any overspend will need to be financed through additional revenue contributions or the utilisation of reserves. The Interim Head of Housing has been tasked by the Director of Adults, Housing and Health to develop proposals to mitigate and eliminate this forecast pressure by 31st March 2017.

Gloriana Thurrock Ltd.

- 4.3 The regeneration project at St Chads is the only active capital scheme currently being undertaken by the wholly owned company Gloriana Thurrock Ltd. This is a £35m scheme and is progressing well to date. The project incurred expenditure of £10.5m during 2015/16 and is anticipated to incur a further £19.5m during 2016/17. To date (up to 30 September 16), £10.5m of this has been spent. This is funded by the Council and recovered from the company over the life of the project.

5. Issues, Options and Analysis of Options

Performance Indicator Target for Month 6: 30%

- 5.1 The total expenditure to date on the Capital Programme is £18.481m, which equates to 27.91% of the budgeted spend against the performance indicator of 30%. This is based on the actual payments made to suppliers, so when considering the outstanding payments for works completed but not yet billed, the percentage spent will actually be closer to the target level.

6 Reasons for Recommendation

- 6.1 The recommendations are to ensure that Cabinet and Members are aware of the current status of the Capital Programme.

7. Consultation (including Overview and Scrutiny, if applicable)

- 7.1 Officers and Directors' Board have been consulted on this report

8. Impact on corporate policies, priorities, performance and community impact

- 8.1 The budget provides the finance required to support capital projects that meet the Council's corporate priorities. Changes to the budgets may impact, positively or negatively, on the delivery of these priorities and the Council's performance, which could have a corresponding impact on the community.

9. Implications

9.1 Financial

Implications verified by: **Sean Clark**
Director of Finance and IT

The General Fund Capital Programme is projected to have available resources of £16.902m at the end of the current financial year and these will be carried forward to fund schemes either in development or currently in progress.

Through the active management of the programme the Council continues to maximise the resources at its disposal.

9.2 Legal

Implications verified by: **David Lawson**
Deputy Head of Legal & Monitoring Officer

There are no direct legal implications arising from this report. This report provides an update and allows Members to review the adequacy of existing budgets.

9.3 Diversity and Equality

Implications verified by: **Natalie Warren**
Community Development and Equalities Manager

The report provides an update and allows Members to review the adequacy of existing budgets.

10. Background papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- There are various working papers within directorates and accountancy.

11. Appendices to the report

- Appendix 1 – General Fund and Housing Revenue Account Summary
- Appendix 2 – General Fund Reprofitting Variances over £0.25m

Report Author:

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