

13 December 2017		ITEM: 11 (Decision 0110444)
Cabinet		
2017/18 Capital Monitoring Report – Quarter 2		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Assistant Director: 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 2017/18 Capital Programme at its meeting on 13 September 2017 (General Fund and Housing Revenue Account).

Since the last reported position, additional funding from prudential borrowing and other grants has been added to the programme. In addition, budgets have been profiled to realign them with expected spend.

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

1. Recommendation(s)

That Cabinet:

- 1.1 Note the General Fund capital programme is projected to have available resources of £6.467m as at 31 March 2018 with this funding carried forward to 2018/19 to fund schemes currently in progress;**
- 1.2 In addition, there is a further £114.868m in the approved programme that is under development and/or dependent on third party actions as set out in paragraph 3.7;**
- 1.3 Note the Housing Revenue Account capital programme is projected to have available resources of £21.040m as at 31 March 2018 with this funding carried forward to 2018/19 to fund schemes currently in progress.**

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 2017/18 and is based on expenditure to the end of month 6 (the period 1 April 2017 to 30 September 2017) 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, from capital receipts, from the capital contribution from revenue budget or from earmarked capital reserves.
- Specific schemes – capital expenditure funded through external funding sources, for example, government grants and Section 106 monies which are ring fenced for specific projects.

3. General Fund Schemes

3.1. The current position for General Fund schemes for 2017/18 is summarised in Table 1.

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

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's
Expenditure:			
Children's Service ¹	6,558	5,351	(1,207)
Adult, Housing & Health	1,860	1,246	(614)
Environment and Place	40,946	37,605	(3,341)
Finance and IT	3,067	2,317	(750)
HR, OD & Transformation	4,317	3,762	(555)
Customer Services	45	45	0
Total Expenditure	56,793	50,326	(6,467)

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's

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

Resources:			
Prudential Borrowing	(35,481)	(31,334)	4,147
Capital Receipts	(320)	(283)	37
Reserves	(245)	(97)	148
Government Grants	(9,221)	(7,757)	1,464
Other Grants	(8,435)	(8,322)	113
Developers Contributions (S106)	(3,091)	(2,533)	558
Total Resources	(56,793)	(50,326)	6,467
Forecast Overspend in Resources	0	0	0

3.2 Table 1 illustrates a projected outturn at the end of the financial year of £50.326m, which is £6.467m less than the latest agreed budget for the year. This forecast variance is further analysed in Table 2 below.

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	(1,207)	0	0	(1,207)
Adult, Housing & Health	(614)	0	0	(614)
Environment and Place	(2,122)	91	(1,309)	(3,341)
Finance and IT	(750)	0	0	(750)
HR, OD & Transformation	(555)	0	0	(555)
Customer Services	0	0	0	0
Total	(5,248)	91	(1,309)	(6,467)

3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget reprofiling on current schemes (£5.248m). Consequently the funding remains allocated to specific current schemes.

3.4 A list of schemes where the variance is greater than £0.3m is shown in Appendix 2.

3.5 Table 2 also shows that additional funding (£0.091m) will be required in 2017/18, to finance the extra expenditure incurred on the Oliver Road project. The additional expenditure will be financed from section 106 contributions.

- 3.6 Table 2 shows that during 2017/18 a number of projects are expected to complete under budget. The largest of these relates to the LED street lighting replacement project, which completed under budget by £0.644m. Furthermore, works to various public building works have either completed under budget or following further feasibility work are no longer proceeding (£0.543m).
- 3.7 In addition, the following schemes and allocations have Council approval but are dependent on scheme development and/or third parties:

Table 3: Capital Programme – Schemes under development

	Projected Scheme Budget
	£'000's
A13 Widening	75,000
Purfleet Regeneration	17,304
School Improvements	10,368
Grays South Development	8,056
The Central Grays Civic Buildings Optimisation project	4,140
Total Schemes under development	114,868
Resources:	
Prudential Borrowing	(24,500)
Government and Other Grants	(90,368)
Total Resources	(114,868)
Forecast Overspend in Resources	0

4. Housing Revenue Account Schemes

- 4.1 The current position for Housing Revenue Account schemes for 2017/18 is summarised in Table 4.

Table 4: HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's
Expenditure:			
Transforming Homes	12,105	12,105	0
Housing Development	22,890	1,850	(21,040)
Total Expenditure	34,995	13,955	(21,040)
Resources:			
Prudential Borrowing	(10,309)	(333)	9,976
Capital Receipts	(9,736)	(1,822)	7,914
Reserves	(3,150)	0	3,150
Government & Other Grants	0	0	0
Major Repairs Reserve	(11,800)	(11,800)	0
Total Resources	(34,995)	(13,955)	21,040
Forecast Overspend in Resources	0	0	0

- 4.2 The budget for Transforming Homes in 2017/18 is £12.1m. Spend as at 30 September 2017 was £6.547m. This budget is forecast to achieve our target of 1,000 homes transformed internally during this financial year. The programme to date has delivered ahead of target with 580 properties completed to end September.
- 4.3 The programme also delivers major works to void properties where required to bring them up to a lettable standard. It should be noted that the first three months of the year have seen a significantly higher number of voids falling into this category than expected. This is being closely monitored for impact on the overall programme. The year to date has also encountered a number of properties requiring structural improvement works over and above the transforming homes specification.
- 4.4 The projected 2017/18 budgets for HRA New Build Schemes is £1.85m. The original profiled budget for 2017/18 as per the HRA Business Plan and February Cabinet Report was £22.890m. Total spend to date in 2017/18 is £0.344m.
- 4.5 The budget profile for the new build schemes has been revised to reflect the current status of the individual projects. Due to delays in the tendering process, as the Council seeks to obtain best value for money, the budgets

have been re-profiled into 2018/19 and 2019/20 to re-align with the expected spend. The overall budget for each of the projects remains the same.

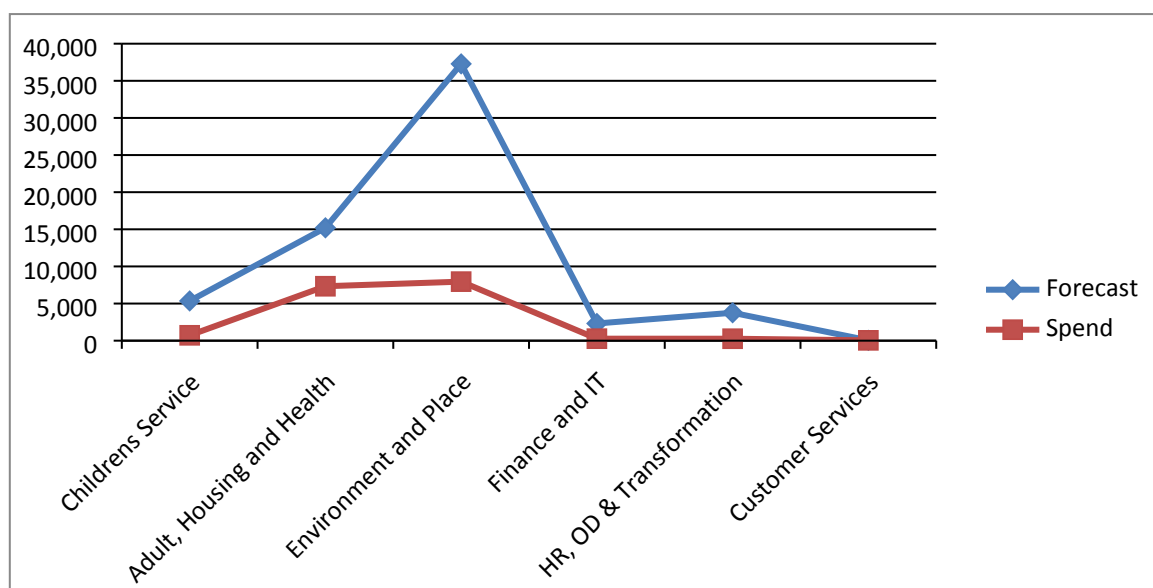
5. Thurrock Regeneration Ltd.

5.1 The regeneration project at St Chads is the only active capital scheme currently being undertaken by the wholly owned company Thurrock Regeneration Ltd. This is a £34.9m scheme and is now complete. The project has incurred expenditure of £33.6m up to the end of September 2017 with the remaining £1.3m set to be paid during 2017/18. The scheme is forecast to complete on budget. This is funded by the Council and recovered from the company over the life of the project.

6. Issues, Options and Analysis of Options

Performance Indicator Target for Month 6: 30%

6.1 The total expenditure to date on the Capital Programme is £16.538m, which equates to 26% 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.



- 6.2 At its meeting on 22 February 2017, Council agreed to set aside an amount of transformation funding – up to £2m – for the Future and Aspirational capital proposals, to develop detailed feasibility work on the schemes and to bring forward more definitive proposals through Scrutiny, Cabinet and Council. An update on these schemes will be included in a future report and also be used to inform capital bids for 2018/19 and beyond.

7. Reasons for Recommendation

- 7.1 The recommendations are to update Cabinet on the current status of the Capital Programme.

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

- 8.1 Officers and Directors' Board have been consulted on this report
- 8.2 The school capital programme and other identified works have been subject to extensive consultation with key stakeholders. The principle has been agreed with schools and the detailed build content is being agreed with the relevant schools. Consultation will continue with each school and key stakeholders, as each scheme and works develop within the programme.
- 8.3 The principle has been agreed with schools and any detailed build content will be agreed with the relevant schools. Consultation will continue with each school and key stakeholder, as each scheme and schedule of works evolves within the programme.

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

- 9.1 The budget provides the finance to support capital projects that meet the corporate priorities. Any changes to the budgets may impact, positively or negatively, on the delivery of these priorities and the Council's performance, with a corresponding impact on the community.
- 9.2 The improvement in the educational facilities in Thurrock schools is part of the council's delivery of its Education Capital Strategy and supports the council's prioritisation of educational standards and pupil progress by helping to create great places for learning in the borough.

10. Implications

10.1 Financial

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

The General Fund Capital Programme is projected to have available resources of £6.467m at the end of the current financial year and these will be carried forward to fund schemes either in development or currently in progress.

In addition, the programme also includes £114.868m for schemes that are dependent on scheme development and/or third parties.

The Housing Revenue Account Capital Programme is projected to have available resources of £21.040m at the end of the current financial year and these will be carried forward to fund schemes in currently in development.

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

10.2 Legal

Implications verified by: **David Lawson**
Assistant Director of Law & Governance and
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.

The Council has a duty under the Education Act 2006 to ensure the provision of “sufficient schools” for the provision of primary and secondary education in their area.

10.3 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.

11. 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.

12. Appendices to the report

- Appendix 1 – General Fund and Housing Revenue Account Summary
- Appendix 2 – General Fund Reprofitting Variances over £0.3m

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Appendix 1

Table 5 – Summary of the 2017/18 General Fund Capital Programme	Approved Budget			Projected Outturn			CY Spend (Sep-17)	% Spend against CY Forecast
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Childrens Service	6,558	7,592	295	5,351	8,800	295	723	13.51
Adults, Health and Housing								
Provider Services	566	0	0	566	0	0	249	43.99
Better Care	1,001	0	0	607	394	0	178	29.00
Community Development	158	2507	0	20	2645	0	14	70.00
Private Sector Housing	135	150	0	53	150	82	-2	-3.77
	1,860	2,657	0	1,246	3,189	82	439	35.23
Environment and Place								
Transportation and Highways	17,535	8041	0	16468	8552	0	4921	29.88
Resident Services	3,124	1261	0	2884	1501	0	442	15.33
Environment	11,016	3566	681	11018	3566	681	674	6.12
Regeneration and Assets	7,125	4867	282	6350	5479	282	1900	29.92
Corporate Buildings	2,146	604	168	885	763	446	16	1.81
	40,946	18,339	1,131	37,605	19,861	1,409	7,953	21.15
Finance and I.T.	3,067	123	0	2,317	873	0	269	11.61
HR, OD and Transformation	4,317	150	0	3,762	705	0	263	6.99
Customer Services	45	0	0	45	0	0	0	0.00
Total Expenditure - General	56,793	28,861	1,426	50,326	33,428	1,786	9,647	19.17

Table 6 – Summary of the 2017/18 General Fund Capital Programme, by scheme status	Project Status	Approved Budget			Projected Outturn			CY Spend (Sep-17)	% Spend against CY Forecast
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	<i>Not yet started</i>	695	3,775	0	695	3,775	0	0	
	<i>Design stage</i>	700	2,235	0	700	2,235	0	0	
	<i>Planning decision</i>	970	0	0	600	370	0	0	
	<i>Out to tender</i>	700	700	0	700	700	0	-24	
	<i>Work commenced</i>	2,158	821	295	1,659	1,267	295	350	
	<i>Scheme completed</i>	15	0	0	15	0	0	15	
	<i>Completed retention o/s</i>	371	61	0	307	61	0	302	
	<i>Demand led</i>	893	0	0	619	392	0	24	
	<i>Devolved to schools</i>	56	0	0	56	0	0	56	
Total Childrens Service		6,558	7,592	295	5,351	8,800	295	723	13.51
	<i>Not yet started</i>	86	0	0	0	83	0	0	
	<i>Work commenced</i>	824	0	0	826	0	0	309	
	<i>Scheme completed</i>	89	0	0	131	0	0	128	
	<i>Demand led</i>	849	2,657	0	288	3,106	82	1	
	<i>Scheme Removed</i>	12	0	0	1	0	0	1	
Total Adults, Health and Housing		1,860	2,657	0	1,246	3,189	82	439	35.23
	<i>Not applicable</i>	1,928	0	0	1,844	0	0	0	
	<i>Not yet started</i>	1,204	320	248	547	653	102	108	
	<i>Design stage</i>	3,082	3,577	132	2,761	3,914	316	232	
	<i>Out to tender</i>	50	2,660	70	50	2,660	70	0	
	<i>Contract formation</i>	4,263	5,388	0	4,263	5,388	0	846	
	<i>Work commenced</i>	14,445	3,862	275	14,401	3,992	275	4,525	
	<i>Scheme completed</i>	1,080	0	0	1,002	0	0	905	
	<i>Completed retention o/s</i>	1,844	0	0	1,200	0	0	816	
	<i>On hold</i>	2,047	1,941	0	1,199	2,400	240	5	
	<i>Demand led</i>	10,614	591	406	10,338	856	406	518	
	<i>Scheme Removed</i>	389	0	0	0	0	0	0	
Total Environment and Place		40,946	18,339	1,131	37,605	19,861	1,409	7,953	21.15
	<i>Not yet started</i>	1,141	63	0	391	813	0	0	
	<i>Work commenced</i>	1,726	60	0	1,726	60	0	213	
	<i>Scheme completed</i>	200	0	0	200	0	0	56	
Total Finance and I.T.		3,067	123	0	2,317	873	0	269	11.61
	<i>Not yet started</i>	278	0	0	278	0	0	0	
	<i>Work commenced</i>	2,880	0	0	2,622	259	0	263	
	<i>Scheme completed</i>	568	0	0	271	296	0	0	
	<i>On hold</i>	591	150	0	591	150	0	0	
Total HR, OD and Transformation		4,317	150	0	3,762	705	0	263	6.99
	<i>On hold</i>	45	0	0	45	0	0	0	
Total Customer Services		45	0	0	45	0	0	0	0.00
Total Expenditure - General Fund		56,793	28,861	1,426	50,326	33,428	1,786	9,647	19.17

Table 7 – Summary of the 2017/18 Housing Revenue Account Capital Programme	Approved Budget			Projected Outturn			CY Spend (Sep-17)	% Spend against CY Forecast
	2017/18	2018/19	2019/20	2017/18	2018/19	2018/20		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Adults, Health and Housing								
Provider Services	22,890	7,770	130	1,850	26,610	2,330	344	
Better Care	12,105	0	0	12,105	0	0	6,549	
Total Expenditure - HRA	34,995	7,770	130	13,955	26,610	2,330	6,893	49.39

Table 8 – Summary of the 2016/17 Housing Revenue Account Capital Programme, by scheme status	Project Status	Approved Budget			Projected Outturn			CY Spend (Sep-17)	% Spend against CY Forecast
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20		
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
	<i>Out to tender</i>	22,890	7,770	130	1,850	26,610	2,330	344	
	<i>Work commenced</i>	12,030	0	0	12,030	0	0	6,549	
	<i>Scheme completed</i>	75	0	0	75	0	0	0	
Total Adults, Health and Housing - HRA		34,995	7,770	130	13,955	26,610	2,330	6,893	49.39

GENERAL FUND SCHEMES

Appendix 2

Table 9 - Scheme Reprofiting	Reprofiting £000's	Reason
Upgrade Physical Infrastructure of the ICT Server Room to Tier 2 Standard	(750)	Re-profiting of expenditure as likely to slip into next financial year. Investigating options for a possible off-site data centre.
Disabled Facility Grant	(394)	Approx £0.254m of returned cases and awaiting decisions whether to proceed. A further £0.282m is earmarked for other cases where responses are outstanding from clients. Re-profiting of budget to reflect expected spend.
Tilbury Manor Primary Amalgamation Works	(370)	Scheme is being managed by The Gateway Academy. Sponsors are looking to join up to a much bigger Project. Re-profiting of spend to reflect expected spend profile.
Capital Maintenance Schemes (to be identified)	(300)	Schemes to be Identified for progression in 2018/19. Re-profiting of budget to align with expected spend profile.