

14 March 2018		ITEM: 11 Decision 0110466
Cabinet		
2017/18 Capital Monitoring Report – Quarter 3		
Wards and communities affected: All	Key Decision: Key	
Report of: Councillor Shane Hebb, Portfolio Holder for Finance		
Accountable Assistant Director: Not Applicable		
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 December 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 £10.577m 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 £118.266m in the approved programme that is under development and/or dependent on third party actions as set out in paragraph 3.5;**
- 1.3 Note the Housing Revenue Account capital programme is projected to have available resources of £0.065m 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 third monitoring report for 2017/18 and is based on expenditure to the end of month 9 (the period 1 April 2017 to 31 December 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 9

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's
Expenditure:			
Children's Service ¹	5,279	2,202	(3,077)
Adult, Housing & Health	1,875	1,635	(240)
Housing General Fund	73	50	(23)
Environment and Highways	19,483	17,089	(2,394)
Place	29,479	26,778	(2,701)
Finance and IT	2,356	2,356	0
HR, OD & Transformation	3,723	1,581	(2,142)
Customer Services	45	45	0
Total Expenditure	62,313	51,736	(10,577)
Resources:			
Prudential Borrowing	(30,748)	(24,902)	5,846
Capital Receipts	(283)	(283)	0
Reserves	(107)	(107)	0
Government Grants	(8,425)	(6,004)	2,421

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

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's
Other Grants	(19,527)	(18,364)	1,163
Developers Contributions (S106)	(3,223)	(2,076)	1,147
Total Resources	(62,313)	(51,736)	10,577
Forecast Overspend in Resources	0	0	0

3.2 Table 1 illustrates a projected outturn at the end of the financial year of £51.736m, which is £10.577m 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 9	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 9
Expenditure:	£'000	£'000	£'000	£'000
Children's Service	(3,076)	0	0	(3,076)
Adult, Housing & Health	(240)	0	0	(240)
Housing General Fund	(23)	0	0	(23)
Environment & Highways	(2,388)	0	(7)	(2,394)
Place	(2,690)	0	(11)	(2,701)
HR, OD & Transformation	(2,142)	0	0	(2,142)
Total	(10,559)	0	(18)	(10,577)

3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget reprofiling on current schemes (£10.559m). 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 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	73,891
Purfleet Regeneration	18,304
School Improvements	10,873
Grays South Development	10,808
The Central Grays Civic Buildings Optimisation project	4,390
Total Schemes under development	118,266
Resources:	
Prudential Borrowing	(29,250)
Government and Other Grants	(89,016)
Total Resources	(118,266)
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	12,490	385
Housing Development	1,850	1,400	(450)
Total Expenditure	13,955	13,890	(65)
Resources:			
Prudential Borrowing	(1,290)	(980)	310
Capital Receipts	(790)	(1,035)	(245)
Government & Other Grants	(75)	(75)	0
Major Repairs Reserve	(11,800)	(11,800)	0

	Latest Agreed Budget	Projected Outturn to 31/03/2018	Variance against budget
	£'000's	£'000's	£'000's
Total Resources	(13,955)	(13,890)	65
Forecast Overspend in Resources	0	0	0

4.2 The budget for Transforming Homes in 2017/18 is £12.1m. Spend as at 31 December 2017 was £8.713m.

4.3 During the financial year a number of properties requiring structural improvement works over and above the transforming homes specification have been encountered. The forecast spend on these exceptional works is currently £385k which is outside of the Transforming Homes programme budget. These exceptional works will be funded from the capital receipts "Attributable" debt reserve.

4.4 The projected 2017/18 budgets for HRA New Build Schemes is £1.4m and expenditure as at 31 December 2017 totalling £0.350m. The profile of spend has changed during the year, due to delays in the tendering process as the Council seeks to obtain best value for money. The overall budget remains the same across the life of the schemes.

4.5 The progress on each of the schemes is set out below:

4.6 **Calcutta**

This project was the subject of a tendering exercise in 2017 through a framework that failed to produce a bid within budget. The scheme has been the subject of a value engineering exercise and has been retendered. There have been a positive level of interest in the first stage of the tendering process and a limited number of constructors will be invited to submit a final bid during February/March 2018. Final contractor selection is in April 2018 and provisional start on site is in June 2018 with an anticipated eighteen month construction period.

4.7 **Claudian Way**

Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. Enabling works to relocate utilities are anticipated to commence during March 2018. The development period is anticipated to be eighteen months from start on site.

4.8 Tops Club

Stage 1 of the tender process has been completed and a contractor selected to agree a final price and programme. The scheme is likely to have a 12 month programme, Demolition and utility diversion works are being brought forward to accelerate commencement on site which is anticipated to be during March 2018.

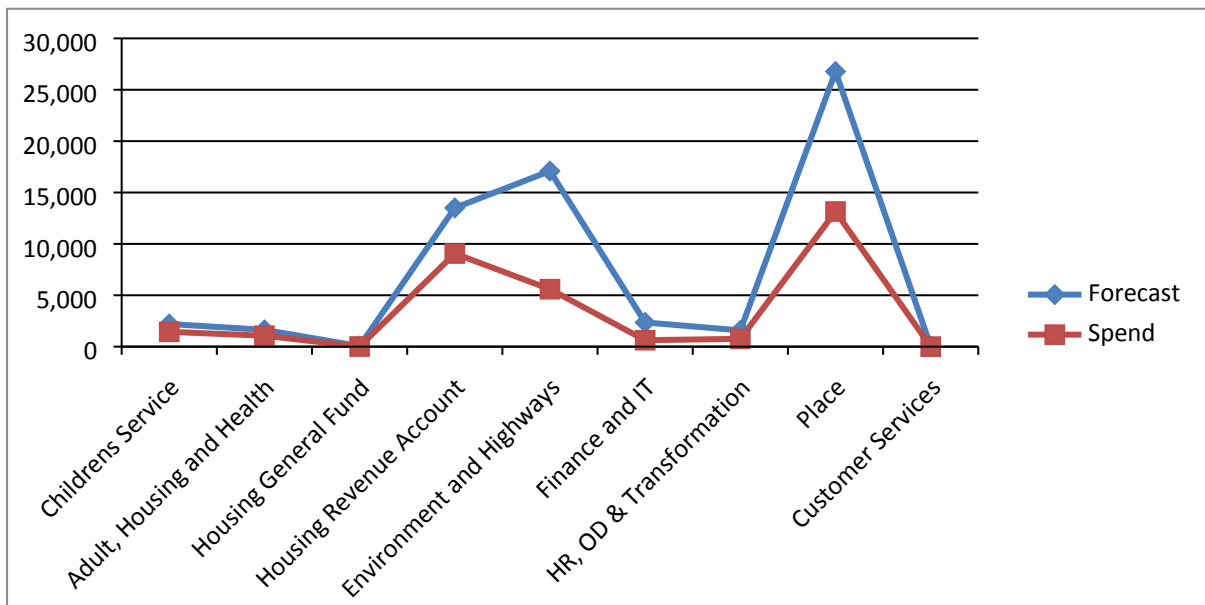
5. Thurrock Regeneration Ltd.

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 December 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 9: 60%

6.1 The total expenditure to date on the Capital Programme is £31.713m, which equates to 49% of the budgeted spend against the performance indicator of 60%. 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 The programme contains a number of high value schemes (eg A13 widening, vehicle acquisitions) where expenditure is anticipated in quarter 4. Officers are confident the performance target of 90% will be achieved by the financial yearend.

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 £10.577m 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 £118.266m 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 £0.065m 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 for 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 & 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

Report Author:

Mark Terry

Senior Financial Accountant