

<b>13 March 2019</b>		<b>ITEM: 14</b>
<b>Cabinet</b>		
<b>2018/19 Capital Monitoring Report – Quarter 3</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Councillor Shane Hebb, Deputy Leader and Portfolio Holder for Finance		
<b>Accountable Assistant Director:</b> Jonathan Wilson – Assistant Director - Finance		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is Public</b>		

## **Executive Summary**

At its meeting on 28 February 2018, Council agreed the 2018/19 capital programme.

Since the 1 April 2018, additional funding has been added to the programme, funded from prudential borrowing and other grants. In addition, budget carry forwards from 2017/18 have also been added to the programme.

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 £16.154m as at 31 March 2019 with this funding carried forward to 2019/20 to fund schemes currently in progress;**
- 1.2 In addition, there is a further £50.546m 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 breakeven by 31 March 2019, which will be funded from the Housing capital receipts.**

### **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 2018/19 and is based on expenditure to the end of month

9 (the period 1 April 2018 to 31 December 2018) 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 2018/19 is summarised in Table 1.

Table 1: Capital Programme – Projected Outturn as at Month 9

	<b>Latest Agreed Budget</b>	<b>Projected Outturn to 31/03/2019</b>	<b>Variance against budget</b>
	<b>£'000's</b>	<b>£'000's</b>	<b>£'000's</b>
<b>Expenditure:</b>			
Children's Service <sup>1</sup>	10,284	7,149	(3,135)
Adult, Housing & Health	2,438	1,708	(730)
Housing General Fund	1,448	92	(1,356)
Environment and Highways	13,193	11,881	(1,312)
Place	35,190	26,856	(8,334)
Finance and IT	2,552	2,552	0
HR, OD & Transformation	4,150	2,888	(1,262)
Customer Services	40	15	(25)
<b>Total Expenditure</b>	<b>69,295</b>	<b>53,141</b>	<b>(16,154)</b>
<b>Resources:</b>			
Prudential Borrowing	(24,280)	(18,839)	5,441
Capital Receipts	(290)	(267)	23
Reserves	(74)	(74)	0
Revenue Contributions to Capital	0	(167)	(167)
Government Grants	(11,207)	(8,646)	2,561
Other Grants	(26,845)	(20,400)	6,445
Developers Contributions (S106)	(6,599)	(4,748)	1,851
<b>Total Resources</b>	<b>(69,295)</b>	<b>(53,141)</b>	16,154
<b>Forecast Overspend in Resources</b>	<b>0</b>	<b>0</b>	<b>0</b>

3.2 Table 1 illustrates a projected outturn at the end of the financial year of £53.141m, which is £16.154m less than the latest agreed budget for the year. This forecast variance is further analysed in Table 2 below.

<sup>1</sup> 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 9	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 9
<b>Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's Service	(3,135)	0	0	(3,135)
Adult, Housing & Health	(730)	0	0	(730)
Housing General Fund	(1,356)	0	0	(1,356)
Environment and Highways	(1,312)	0	0	(1,312)
Place	(8,501)	167	0	(8,334)
Finance and IT	0	0	0	0
HR, OD & Transformation	(1,262)	0	0	(1,262)
Customer Services	(25)	0	0	(25)
<b>Total</b>	<b>(16,321)</b>	<b>167</b>	<b>0</b>	<b>(16,154)</b>

- 3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget re-profiling on current schemes (£16.321m). Consequently the funding remains allocated to specific current schemes.
- 3.4 Table 2 also shows that cost estimates to improve the Thurrock Cycle Infrastructure are expected to exceed the current approved budget by £0.167m. The increase in expenditure will be funded by a revenue contribution to capital
- 3.5 A list of schemes where the variance is greater than £0.25m is shown in Appendix 2.
- 3.6 A number of capital schemes in the capital programme are expected to complete construction in future years, with expenditure totalling £95.360m. Budgets for these schemes have been profiled accordingly. The largest of the schemes relates to the A13 widening project with expected future years spend of £48.999m.
- 3.7 In addition, the following schemes and allocations are not currently included in the capital programme and have Council approval but are dependent on further scheme development and/or third parties:

Table 3: Capital Programme – Schemes under development

	<b>Projected Scheme Budget</b>
	<b>£'000's</b>
Purfleet Regeneration	15,277
School Improvements	18,869
Grays South Development	8,700
21 <sup>st</sup> Century Care Home	8,000
<b>Total Schemes under development</b>	<b>50,846</b>
<b>Resources:</b>	
Prudential Borrowing	(31,977)
Government and Other Grants	(18,869)
<b>Total Resources</b>	<b>(50,846)</b>
<b>Forecast Overspend in Resources</b>	<b>0</b>

#### 4. Housing Revenue Account Schemes

- 4.1 The current position for Housing Revenue Account schemes for 2018/19 is summarised in Table 4.

Table 4: HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn to 31/03/2019
	£'000's	£'000's
<b>Expenditure:</b>		
Transforming Homes	12,227	11,710
Housing New Build	7,440	6,790
<b>Total Expenditure</b>	<b>19,667</b>	<b>18,500</b>
<b>Resources:</b>		
Prudential Borrowing	(5,630)	(4,753)
Capital Receipts	(2,827)	(3,054)
Reserves	(542)	(25)
Government & Other Grants	0	0
Major Repairs Reserve	(10,668)	(10,668)
<b>Total Resources</b>	<b>(19,667)</b>	<b>(18,500)</b>
<b>Forecast Overspend in Resources</b>	<b>0</b>	<b>0</b>

- 4.2 The budget for Transforming Homes in 2018/19 is £12.227m. Spend as at 31 December 2018 was £5.952m. Works to the Telecare system are continuing to forecast additional spend of £0.065m which will be funded from the Housing usable capital receipts.
- 4.3 The revised budgets for 2018/19 for HRA New Build Schemes are set out below. The current forecast is £6.79m against a budget of £7.44m. These projects will maximise the use of receipts held under the “Right to Buy” sharing agreement between the Council and the MHCLG.

Table 5: HRA New Build Schemes

	Revised Budget	Spend YTD	Forecast	Variance from Revised Budget	
	£000	£000	£000	£000	%
Calcutta	1,810	100	860	(950)	(53%)
Claudian Way	3,650	1,284	3,940	290	8%
Tops Club	1,980	727	1,990	10	1%
<b>Total</b>	<b>7,440</b>	<b>2,111</b>	<b>6,790</b>	<b>(650)</b>	<b>(9%)</b>

#### 4.4 Progress on each scheme is set out below:

##### **Calcutta**

This project was the subject of a tendering exercise in 2017 through a framework that failed to produce a bid within budget. The project was retendered and following evaluation and clarification of tenders a single contractor has been selected through a Letter of Intent whilst final value engineering takes place and prior to contract award. It is anticipated that contract will be signed by February 2019 once the minor amendments to contain expenditure have been submitted and approved by planning. The project is currently estimated at an 80 week construction period completing in 2020. The next steps post award involves the discharge of pre-commencement planning conditions and further detailed design development by the contractor.

##### **Claudian Way**

United Living has been appointed as the main contractor to this project following a two stage tendering process. The contractor has commenced detailed site investigation works, works to relocate services and final detailed design has been carried out under a pre-contract services agreement. The contract award "technical report" has been completed and the contract has been signed. Utility completions are complete and excavations have commenced for foundations. This project has an estimated 69 week construction timeframe with completion in 2020.

##### **Tops Club**

Contract award has been completed and the contract has been signed. Demolition and utility diversion works for a power cable are complete and site hoarding together with Council signage has been erected. Piling is nearing completion and the tower crane is now on site. Estimated completion is at Quarter 1 of 2020.

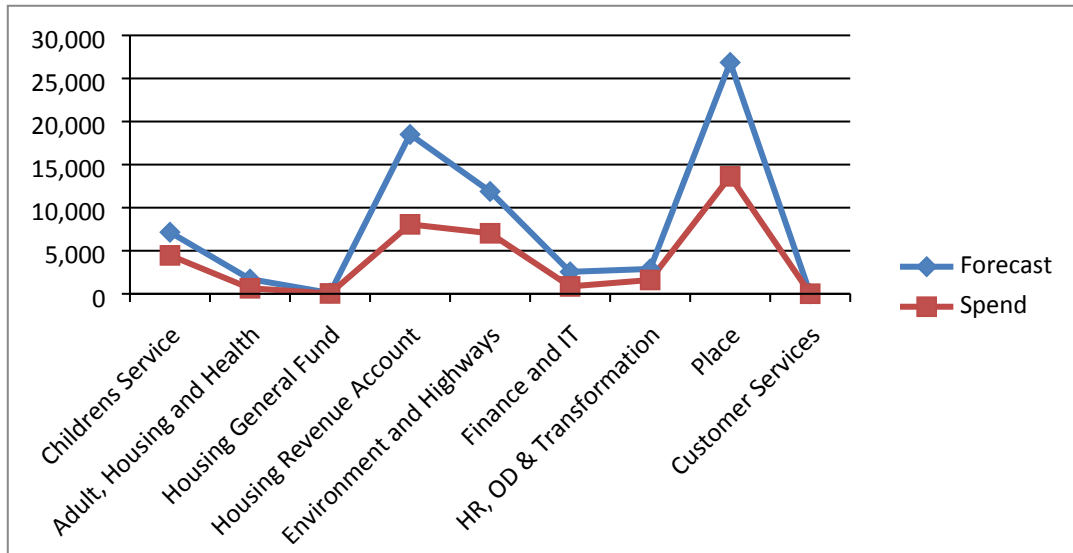
#### **5. Thurrock Regeneration Ltd.**

- 5.1 Thurrock regeneration Ltd is now underway with its second scheme, an 80 unit development at Belmont Road, Grays. This has an estimated completion date of autumn 2020.
- 5.2 Detailed work has been undertaken to identify further sites for development, in order to achieve the 1,000 homes target. As a result, the next potential development site, owned by the Council, is currently being worked into a viable project, which if successful has the capacity to delivery circa 200 homes of mixture archetype and tenure.

#### **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 £36.353m, which equates to 51% 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 be higher than the target level.



## 7 Reasons for Recommendation

- 7.1 The recommendations are to ensure that Cabinet and Members are aware of the current status of the Capital Programme.
- 7.2 The Local Authority is required to discharge its statutory duty, under the Education Act 2006, to ensure that suitable and sufficient places are available in Thurrock for every child of school age whose parents wish them to have one.

## 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: **Jonathan Wilson**  
**Assistant Director - Finance**

The General Fund Capital Programme is projected to have available resources of £16.154m 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 £50.846m for schemes that are dependent on scheme development and/or third parties.

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 Head of Legal & Deputy 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 Reprofiled Variances over £0.25m

**Report Author:**

Mark Terry

Senior Financial Accountant