

9 December 2015		ITEM: 13 01104431
Cabinet		
2015/16 Capital Monitoring Report		
Report of: Councillor John Kent, Leader of the Council		
Wards and communities affected: All	Key Decision: Non-key	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Lyn Carpenter, Chief Executive		
This report is Public		

Executive Summary

At its meeting on 11 February 2015, Cabinet agreed the 2015/16 capital programme.

Since the 1st April 2015, additional projects have been added to the programme, along with the associated funding. Budget carry forwards from 2014/15 have also been added to the programme.

This report reflects these changes and sets out the latest forecasted outturn position and a detailed summary of the current position on the school capital programme.

1. Recommendation(s)

That Cabinet agrees:

- 1.1 To note that the General Fund capital programme is projected to have unused resources of £20.766m as at 31 March 2016. This funding will be carried forward to 2016/17 to fund schemes currently under development.**
- 1.2 To note the progress on the schools capital programme including the use of temporary accommodation and the remodelling of school accommodation to meet the increase in demand for pupil places from January 2016.**
- 1.3 To approve the virements within the Children's service, totalling £0.2m, which will realign project budgets with projected costs;**

1.4 To note that the Housing Revenue Account capital programme is projected to have no unused resources in 2015/16.

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 first monitoring report for 2015/16 and is based on expenditure to the end of month 6 (1st April to 30th September 2015) 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 that is funded by supported or unsupported (prudential) borrowing, by capital receipts, from the revenue budget or from earmarked capital reserves.
- Specific schemes – capital expenditure that is funded by external funding sources, for example, government grants and Section 106 monies that can only be spent on specific projects.

3. Issues, Options and Analysis of Options

General Fund Schemes

3.1. Appendix 1 sets out the capital programme at month 6 showing the movement since the start of the financial year and the resources that are available to finance the programme.

3.2. The current position for General Fund schemes for 2015/16 is summarised in Table 1.

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

	Latest Agreed Budget	Projected Outturn to 31/03/2016	Variance against budget
	£000's	£000's	£000's
Expenditure:			
Children's Service (Note: 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).	13,203	11,648	(1,555)
Adult Social Care	128	128	0
Environment	5,990	4,071	(1,919)
Planning and Transportation	14,053	8,319	(5,734)

	Latest Agreed Budget	Projected Outturn to 31/03/2016	Variance against budget
	£000's	£000's	£000's
Housing General Fund	1,387	1,474	87
Commercial Services	443	443	0
Transformation	8,420	7,340	(1,080)
Chief Executive Delivery Unit	21,435	10,870	(10,565)
Total Expenditure	65,059	44,293	(20,766)
Resources:			
Mainstream	(46,409)	(25,924)	20,485
Specific	(18,650)	(18,369)	281
Total Resources	(65,059)	(44,293)	20,766
Forecast Deficit in Resources	0	0	0

3.3 Table 1 is showing that the projected outturn for the year is £44.293m which is £20.766m less than the latest agreed budget for the year. The forecast variance is further analysed in Table 2

3.4 The detailed position on the schools capital programme is included in Appendix 3 to this report. It is noted the demand for pupil places has increased significantly during 2015/16 with a large increase in 'in year' admissions from families moving into the Authority. To be in a position to accommodate this demand, there is an additional 7 per cent of surplus places built in on top of the forecasts contained within the Pupil Place Planning document to allow us to be proactive rather than reactive to growing additional pressures mid 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	(1,270)	0	(285)	(1,555)
Adult Social Care	0	0	0	0
Environment	(2,402)	482	1	(1,919)
Planning and Transportation	(5,911)	180	(3)	(5,734)
Housing General Fund	15	72	0	87

	Re-profiling of expenditure at Month 6	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 6
Commercial Services	0	0	0	0
Transformation	(860)	7	(227)	(1,080)
Chief Executive Delivery Unit	(10,565)	0	0	(10,565)
Total	(20,993)	741	(514)	(20,766)

- 3.5 Table 2 shows that the forecast underspend is principally due to slippage or budget reprofiling on current schemes (£20.993m) and a number of schemes which are expected to complete below the budgeted amount (£0.514m).
- 3.6 Table 2 also shows that additional funding of (£0.741m) will need to be added to the 2015/16 capital programme to allow existing schemes to complete. The most significant items within this are:
- Works to install a floodlit synthetic sports pitch at Lakeside sports ground (£0.41m) which will be funded from grants from the Football Association and Veolia environmental trust.
 - The costs of repairing the Hogg Lane Sinkhole are anticipated to be £0.17m and action has commenced to recover these costs from the land owner. It is noted this recovery action could be lengthy.
- 3.7 A list of schemes where the variance is greater than £0.5m is shown in Table 3.

Table 3: General Fund Capital Programme – Scheme Variances over £0.5m

Scheme	Variance £'000	Explanation
Purfleet Centre	(7,000)	A number of residential properties are being purchased, with spend on these expected to be around £3m this year. From the original budget allocation for property/land purchases (£7.4m), the balance of £4.4m is likely to be required in 2016/17 for further

Scheme	Variance £'000	Explanation
		<p>acquisitions.</p> <p>There is also an allocation of £9m for a 2 Form of Entry school, which is schedule for 2017-19. The remaining balance of £2.6m requires re-profiling into 2017/18 to meet this commitment.</p>
Street Lighting LED Replacement	(5,800)	<p>To date Salix funding has been used to deliver LED replacements at zebra crossing, roundabouts and signage.</p> <p>The electrical and structural testing, and column replacement will be carried out within the 2015-16 capital funding allocation.</p> <p>Further LED replacements will be carried out after the tender process is carried out. A large proportion of the expenditure will be incurred during the next financial year therefore the budget requires reprofiling into 2016/17 and 2017/18.</p>
Grays South and Rail Station Regeneration	(3,315)	<p>This scheme is being developed in conjunction with Network Rail.</p> <p>No spend is expected within the current financial year therefore the budget is to be reprofiled into 2016/17.</p>
Refurbishment of Belhus Leisure Centre	(1,100)	Refurbishment works are likely to start within the next financial year due to slippage of the project.
Tilbury Manor Primary Amalgamation Works	(509)	The scheme is now being managed by The Gateway Academy. Sponsors are

Scheme	Variance £'000	Explanation
		looking to join up as part of a larger scheme to expand by 1 Form of Entry. No spend is expected this year, therefore budget is to be reprofiled into 2016/17.

Housing Revenue Account Schemes

- 3.8 Appendix 2 sets out the position on the HRA capital programme at month 6. This shows the movement since the start of the financial year and the resources that are available to finance the programme.
- 3.9 The current position for Housing Revenue Account schemes for 2015/16 is summarised in Table 4.

Table 4: HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn to 31/03/2016
	£000's	£000's
Expenditure:		
Transforming Homes	15,207	15,207
Housing New Build	21,960	21,960
Total Expenditure	37,167	37,167
Resources:		
Mainstream	(36,145)	(36,145)
Specific	(1,022)	(1,022)
Total Resources	(37,167)	(37,167)
Forecast Deficit in Resources	0	0

- 3.10 Table 4 shows that the capital programme for the Housing Revenue Account is estimated to be in balance in respect of financing expenditure in 2015/16.

Gloriana

3.11 The Council has commenced the St Chads housing development as part of the regeneration programme being undertaken by the wholly owned company – Gloriana Thurrock Ltd. This is a £35m scheme and it is anticipated the capital expenditure incurred in 2015/16 is projected to be between £8m and £10m. This will be funded by the Council and recovered from the company over the life of the project.

4. Issues, Options and Analysis of Options

4.1 Table 5 shows for each service area the percentage spend against the current projected outturn.

Table 5: Capital Programme – Percentage Spend

	Projected Outturn at 31/03/2016	Actual Spend at Month 6	%age of Forecast Spent
	£000's	£000's	%
Expenditure:			
Children's Service	11,648	1,255	11
Adult Social Care	128	16	13
Environment	4,071	491	12
Planning and Transportation	8,319	1,936	23
Housing General Fund	1,474	427	29
Commercial Services	443	42	9
Transformation	7,340	1,917	26
Chief Executive Delivery Unit	10,870	4,518	42
Housing Revenue Account	37,167	20,728	56
Total	81,460	31,330	38

Performance Indicator Target for Month 6: 30%

4.2 The performance indicator for month 6 is 30 per cent however with the Housing Revenue Account payments excluded, the General Fund indicator is only 24 per cent. This is based, rightly so, on the value of works carried out. The table above only reflects payments made and so when considering the outstanding payments, the percentage spent will actually be much closer to the target level.

4.3 Two projects within the Children's Services directorate are being managed externally and the Council is awaiting requests for the funding to be transferred (Purfleet Primary School (£1.9m) and Harris Mayflower School (£4.7m)). The

directorate are confident that the funding will be claimed and transferred during the current financial year.

4.4 Within the Children's Services directorate, the expansion projects at Bonnygate Primary Academy and Graham James Academy are anticipated to make savings from the original expected budget. However the expansion scheme at Little Thurrock Primary has incurred additional costs. It is therefore proposed that the following budget virements are undertaken to realign budgets with expected spend:

- £50,000 from the Bonnygate Primary Academy expansion to Little Thurrock Primary
- £50,000 from the Bonnygate Primary Academy expansion to the schools capital programme
- £150,000 from Graham James Academy to the schools capital programme

4.5 In respect of the school capital programme:

- If the Local Authority does not undertake the school expansions and builds, the Local Authority will not be able to fulfil its statutory responsibility to ensure there are sufficient places available in Thurrock for every child of school age.
- The contract, due to its potential value over the threshold, is subject to Thurrock Council & EU procurement legislation.

5 Reasons for Recommendation

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

5.2 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.

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

6.1 Officers and Directors' Board have been consulted on this report

6.2 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.

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

7.1 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.

- 7.2 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.

Scheme Progress Detail

8. Implications

8.1 Financial

Implications verified by: **Sean Clark**
Head of Corporate Finance/S151 Officer

The general fund capital programme is projected to have unused resources of £20.766m 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.

In terms of the schools capital programme additional accommodation required for increased pupil numbers will be funded from a combination of the future capital basic need budget, and underspends from the current capital programme. Funding requirements will be quantified and confirmed and this will include any funds successfully obtained from the Education Funding Agency.

8.2 Legal

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

The report provides an update and allows Members to review the adequacy of existing budgets. There is one legal implication to specifically consider set out below.

The report proposes to commence a procurement exercise under the schools capital improvement programme to appoint a specialist project team and building contractors to take forward the proposed schemes within the current affordability envelope of £2.5 million. Given its value it has to comply with the Public Contract Regulations 2015 the EU regulations and the Council's constitution.

8.3 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. There are specific diversity and equality implications to consider relating to the Thurrock Schools Capital Programme.

The programme will continue to commit to improving learning environments for young people, supporting improvements in standards and raising aspirations to give all children the best possible life chances. The provision of these projects will help to tackle inequality and social exclusion.

Equality legislation places a duty on public bodies to prevent discrimination in all aspects of service provision, including procurement. It provides a clear and positive legal duty to eliminate discrimination and ensure equality of opportunity.

The Council should consider that where an external supplier carries out a function, the Council remains responsible for meeting the statutory duty set out in these Acts. The tender process will give true regard to the full range of equality considerations with a focus also on the wider community benefits that will be realised through the application of the council's social value framework.

9. 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.

10. Appendices to the report

- Appendix 1 – General Fund Summary and Scheme Progress Detail
- Appendix 2 – Housing Revenue Account Summary and Scheme Progress Detail
- Appendix 3 – Schools Capital Programme

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