

7 September 2016		ITEM: 12 Decision 01104381
Cabinet		
2016/2017 Capital Monitoring Report – Quarter 1		
Wards and communities affected: All	Key Decision: Non-key	
Report of: Councillor Shane Hebb, Cabinet Member for Finance and Central 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

At its meeting on 24 February 2016, Council agreed the 2016/17 capital programme.

Since the 1st April 2016, additional funding has been added to the programme, funded from prudential borrowing and other grants. In addition, budget carry forwards from 2015/16 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:

- 1.1 Note the General Fund capital programme is projected to have available resources of £6.094m 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 projected to have no unused resources in 2016/17;**
- 1.3 Is fully appraised on the current School Capital Programme Schemes for 2016/17.**

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 2016/17 and is based on expenditure to the end of month 3 (the period 1st April 2016 to 30th June 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 that is funded by prudential (unsupported) 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. General Fund Schemes

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

Table 1: Capital Programme – Projected Outturn as at Month 3

	Latest Agreed Budget	Projected Outturn to 31/03/2017	Variance against budget
	£'000's	£'000's	£'000's
Expenditure:			
Children's Service ¹	17,798	17,520	(278)
Adult, Housing & Health	4,981	4,981	0
Environment and Place	43,403	40,313	(3,090)
Finance and IT	1,372	1,372	0
Commercial Services & Commissioning	1,745	659	(1,086)
HR, OD & Transformation	6,878	5,238	(1,640)
Total Expenditure	76,177	70,083	(6,094)
Resources:			
Prudential Borrowing	(43,009)	(37,840)	5,169
Capital Receipts	(1,967)	(1,828)	139
Reserves	(160)	(160)	0
Government & Other Grants	(27,163)	(26,900)	263
Developers Contributions (S106)	(3,878)	(3,355)	523

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 31/03/2017	Variance against budget
	£'000's	£'000's	£'000's
Total Resources	(76,177)	(70,083)	6,094
Forecast Deficit in Resources	0	0	0

3.2 Table 1 is showing that the projected outturn for the year is £70.083m which is £6.094m less than the latest agreed budget for the year. The forecast variance is further analysed in Table 2

Table 2: – Analysis of forecast variance

	Re-profiling of expenditure at Month 3	Capital schemes requiring additional funding	Completed Projects	Forecast variance against budget at Month 3
Expenditure:	£'000	£'000	£'000	£'000
Children's Service	(263)	0	(15)	(278)
Adult, Housing & Health	0	0	0	0
Environment and Place	(3,090)	0	0	(3,090)
Finance and IT	0	0	0	0
Commercial Services & Commissioning	(1,086)	0	0	(1,086)
HR, OD & Transformation	(1,640)	0	0	(1,640)
Total	(6,079)	0	(15)	(6,094)

3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget reprofiling on current schemes (£6.079m). A list of schemes where the variance is greater than £0.25m is shown in Appendix 2. The largest of these is the Riverside Business Centre (£2.105m) where work has been delayed due to changes to the design.

3.4 The detailed position on the schools capital programme is included in Appendix 3 to this report. This provides an update highlighting projects managed by Thurrock Council and schemes managed externally which all form part of the school capital programme along with schemes managed,

highlighting the considerable and continued progress that has been achieved since the last report to Council in December 2015.

4. Housing Revenue Account Schemes

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

Table 3: HRA Capital Programme – Projected Outturn

	Latest Agreed Budget	Projected Outturn to 31/03/2017
	£'000's	£'000's
Expenditure:		
Transforming Homes	6,831	6,831
Housing Development	10,000	10,000
Total Expenditure	16,831	16,831
Resources:		
Prudential Borrowing	(4,265)	(4,265)
Capital Receipts	(637)	(637)
Reserves	(634)	(634)
Government & Other Grants	(1,295)	(1,295)
Major Repairs Reserve	(10,000)	(10,000)
Total Resources	(16,831)	(16,831)
Forecast Deficit in Resources	0	0

- 4.2 Table 3 shows that the capital programme for the Housing Revenue Account is estimated to be in balance in respect of financing expenditure in 2016/17.

Gloriana Thurrock Ltd.

- 4.3 The regeneration work in 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 £10.5m expenditure in 2015/16 and is anticipated to incur a further £19.5m during 2016/17 - £5.6m of this has been spent to date (up to 30 June 16). 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 3: 10%

- 5.1 The total amount spent on the Capital Programme is £6.56m which is 8.6% of the budgeted spend against the performance indicator of 10%. This is based on the value of works carried out. The table above only reflects payments made and so when considering the outstanding payments for works completed but not yet billed, the percentage spent will actually be closer to the target level.
- 5.2 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.

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.
- 6.2 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.

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

- 7.1 Officers and Directors' Board have been consulted on this report
- 7.2 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.
- 7.3 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.

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

- 8.1 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.
- 8.2 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.

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 £6.094m 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.

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. Once in-depth feasibility studies have been undertaken, funding requirements will be quantified and confirmed. This will include any funds applied for and successfully obtained from the Education Funding Agency, under the Targeted Basic Need Programme.

9.2 Legal

Implications verified by: David Lawson
Deputy 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.

The report proposes to commence a procurement exercise for a Specialist Project Team for the schools capital improvement programme, and building contractors to take forward the proposed. Given the proposed value of the schemes we comply with the Public Contract Regulations 2015 the EU regulations and the Council’s constitution.

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.

The next Thurrock Schools' Capital 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.

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 Refiling Variances over £0.25m
- Appendix 3 – Schools Capital Programme

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