

<b>12 September 2018</b>		<b>ITEM: 13</b>
<b>Cabinet</b>		
<b>2018/19 Capital Monitoring Report – Quarter 1</b>		
<b>Wards and communities affected:</b> All		<b>Key Decision:</b> Non-key
<b>Report of:</b> Councillor Shane Hebb, Portfolio Holder for Finance		
<b>Accountable Assistant Director:</b> Not Applicable		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is</b> Public		

## **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 £5.855m 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 £47.666m 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 overspend by £0.102m, 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 first monitoring report for 2018/19 and is based on expenditure to the end of**

month 3 (the period 1 April 2018 to 30 June 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 3

	Latest Agreed Budget	Projected Outturn to 31/03/2019	Variance against budget
	£'000's	£'000's	£'000's
<b>Expenditure:</b>			
Children's Service <sup>1</sup>	10,597	10,597	0
Adult, Housing & Health	2,700	2,700	0
Housing General Fund	1,751	1,551	(200)
Environment and Highways	17,457	17,457	0
Place	44,496	38,841	(5,655)
Finance and IT	2,394	2,394	0
HR, OD & Transformation	4,508	4,508	0
Customer Services	40	40	0
<b>Total Expenditure</b>	<b>83,943</b>	<b>78,088</b>	<b>(5,855)</b>
<b>Resources:</b>			
Prudential Borrowing	(38,387)	(33,063)	5,324
Capital Receipts	(290)	(290)	0
Reserves	(185)	(185)	0
Government Grants	(11,904)	(11,852)	52
Other Grants	(26,852)	(26,599)	253
Developers Contributions (S106)	(6,325)	(6,099)	226
<b>Total Resources</b>	<b>(83,943)</b>	<b>(78,088)</b>	<b>5,855</b>

<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

	<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>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 £78.088m, which is £5.855m 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

	<b>Re-profiling of expenditure at Month 3</b>	<b>Capital schemes requiring additional funding</b>	<b>Completed Projects</b>	<b>Forecast variance against budget at Month 3</b>
<b>Expenditure:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Children's Service	0	0	0	0
Adult, Housing & Health	0	0	0	0)
Housing General Fund	(200)	0	0	(200)
Environment and Highways	0	0		0
Place	(5,655)	0		(5,655)
Finance and IT	0	0	0	0
HR, OD & Transformation	0	0	0	0
Customer Services	0	0	0	0
<b>Total</b>	<b>(5,855)</b>	<b>0</b>	<b>0</b>	<b>(5,855)</b>

- 3.3 Table 2 shows that the forecast underspend is principally due to slippage/budget reprofiling on current schemes (£5.855m). Consequently the funding remains allocated to specific current schemes.
- 3.4 A list of schemes where the variance is greater than £0.25m is shown in Appendix 2.
- 3.5 A number of capital schemes are also expected to complete construction in future years, with expenditure totalling £54.811m. 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 £42.849m.

- 3.6 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

	<b>Projected Scheme Budget</b>
	<b>£'000's</b>
Purfleet Regeneration	15,277
School Improvements	11,799
Grays South Development	8,700
21 <sup>st</sup> Century Care Home	8,000
The Central Grays Civic Buildings Optimisation project	3,890
<b>Total Schemes under development</b>	<b>47,666</b>
<b>Resources:</b>	
Prudential Borrowing	(35,867)
Government and Other Grants	(11,799)
<b>Total Resources</b>	<b>(47,666)</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

	<b>Latest Agreed Budget</b>	<b>Projected Outturn to 31/03/2019</b>
	<b>£'000's</b>	<b>£'000's</b>
<b>Expenditure:</b>		
Transforming Homes	12,162	12,264
Housing Development	13,870	13,870
<b>Total Expenditure</b>	<b>26,032</b>	<b>26,134</b>
<b>Resources:</b>		
Prudential Borrowing	(9,710)	(9,710)
Capital Receipts	(5,112)	(5,214)

	<b>Latest Agreed Budget</b>	<b>Projected Outturn to 31/03/2019</b>
	<b>£'000's</b>	<b>£'000's</b>
Reserves	(542)	(542)
Government & Other Grants	0	0
Major Repairs Reserve	(10,668)	(10,668)
<b>Total Resources</b>	<b>(26,032)</b>	<b>(26,134)</b>
<b>Forecast Overspend in Resources</b>	<b>0</b>	<b>0</b>

- 4.2 The budget for Transforming Homes in 2018/19 is £12.162m. Spend as at 30th June 2018 was £1.813m. Works to the Telecare system have forecast additional spend of £0.102m, 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 a breakeven position against a budget of £13.87m.

Table 5: HRA New Build Schemes

	<b>Revised Budget</b>	<b>Spend YTD</b>	<b>Forecast</b>	<b>Variance from Revised Budget</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Calcutta	4,300	0	4,300	0	0%
Claudian Way	4,120	364	4,120	0	0%
Tops Club	5,450	43	5,450	0	0%
<b>Total</b>	<b>13,870</b>	<b>407</b>	<b>13,870</b>	<b>0</b>	<b>0%</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 scheme has been the subject of a value engineering exercise and has been retendered. Final clarification of revised tenders is taking place currently. It is anticipated that contracts will be agreed in August 2018. The project will complete late 2019.

#### **Claudian Way**

United Living have been appointed under Stage 1 of 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. Applications have been submitted for the discharge of pre-commencement planning conditions and the final

tender price is due to be agreed in July which will allow the contractor to take possession and start on site. This project has an estimated 18 month construction timeframe.

### **Tops Club**

As with Claudian Way, Stage 1 of the tender process has been completed and Roof Ltd have been engaged under a pre-contract services agreement. All pre-commencement planning conditions have been discharged and the agreed tender price will be finalised in July 2018. Demolition works are underway with main contract commencing once a power cable is relocated.

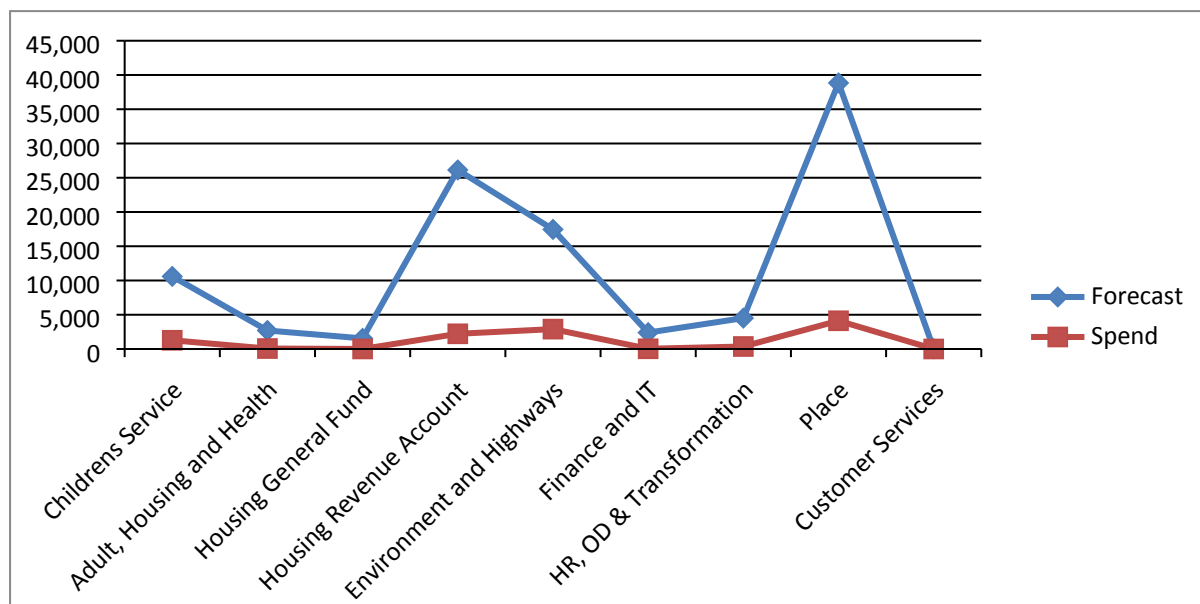
## **5. Thurrock Regeneration Ltd.**

- 5.1 TRL has agreement to proceed with its second scheme, an 80 unit development at Belmont Road. Borrowing of £23.5m has been approved, and the project has an estimated commencement date of September 2018. It is anticipated that costs circa £5m will be incurred during the current financial year, with the scheme completing in late 2019/20.

## **6. Issues, Options and Analysis of Options**

### **Performance Indicator Target for Month 3: 10%**

- 6.1 The total expenditure to date on the Capital Programme is £10.996m, which equates to 10.1% of the budgeted spend against the performance indicator of 10%. 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 £5.855m 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 £47.666m 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**  
**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.

## **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 £0.25m

## **Report Author:**

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