

Report To: **STRATEGIC PLANNING AND CAPITAL MONITORING PANEL**

Date: 26 November 2018

Executive Member / Reporting Officer: Tom Wilkinson – Assistant Director of Finance

Subject: **CAPITAL MONITORING PERIOD 6 2018/19**

Report Summary: This report summarises the 2018/19 capital expenditure monitoring position at 30 September 2018, based on information provided by project managers.

The report shows projected capital investment in 2018/19 of £69.582 million by March 2019. This is significantly less than the original budgeted capital investment for 2018/19 and is in part due to project delays that are being experienced following the liquidation of Carillion.

Recommendations: Members are asked to approve the following:-

- (i) The reprofiling to reflect up to date investment profiles
- (ii) The changes to the Capital Programme
- (iii) The updated Prudential Indicator position

Members are asked to note:-

- (i) The current capital budget monitoring position
- (ii) The resources currently available to fund the Capital Programme
- (iii) The updated capital receipts position
- (iv) The timescales for review of the Council's three year capital programme

Links to Community Strategy: The Capital Programme ensures investment in the Council's infrastructure is in line with the Community Strategy.

Policy Implications: In line with Council Policies.

Financial Implications: These are the subject of the report. In summary:-

(Authorised by the Section 151 Officer)

- The forecast outturn for 2018/19 is £64.838 million compared to the 2018/19 budget of £76.229 million
- Re-profiling of £10.796 million into future year(s) to match expected spending profile has been requested.

Demand for capital resources exceeds availability and it is essential that those leading projects ensure that the management of each scheme is able to deliver them on plan and within the allocated budget.

Close monitoring of capital expenditure on each scheme and the resources available to fund capital expenditure is essential and is an integral part of the financial planning process. The liquidation of Carillion has resulted in significant

delays to a number of projects, resulting in slippage in the programme.

There is very limited contingency funding set aside for capital schemes, and any significant variation in capital expenditure and resources, particularly the delivery of capital receipts, will have implications for future revenue budgets or the viability of future capital schemes.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

It is a statutory requirement for the Council to set a balanced budget. It is important that the capital expenditure position is regularly monitored to ensure we are maintaining a balanced budget and to ensure that the priorities of the Council are being delivered.

Risk Management:

The Capital Investment Programme proposes significant additional investment across the borough. Failure to properly manage and monitor the Council's Capital Investment Programme could lead to service failure, financial loss and a loss of public confidence.

The liquidation of Carillion is having a significant adverse impact on the progression of a number of key schemes, including the Vision Tameside project and a number of key Education programmes to deliver additional school places.

Funding of the Capital Programme assumes the realisation of some significant Capital Receipts from land and property sales which if not achieved will require the reassessment of the investment programme.

Access to Information:

The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner by:



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1. INTRODUCTION

- 1.1 This is the second capital monitoring report for 2018/19, summarising the forecast outturn based on the financial activity to 30 September 2018.
- 1.2 The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2018/19 financial year. Additional schemes will be added to future detailed monitoring reports once fully approved by Executive Cabinet.

2. CHANGES SINCE THE LAST REPORT

- 2.1 There have been changes to the 2018/19 Capital Programme to the value of £15.835m since the P4 monitoring report. These are largely due to the re-profiling of £16.753m into 2019/20 approved in period 4. A full breakdown of the changes can be found in **Appendix 1** of this report.
- 2.2 The Capital Programme Review outlined how the proposed programme, along with additional emerging pressures, needs to be reprioritised in line with current available resources. A reprioritisation exercise is now ongoing in order to determine which schemes that have been earmarked but not fully approved should proceed, and which should be temporarily placed on hold. **Appendix 1** of this report summarises the number and total value of approved and earmarked schemes.
- 2.3 On 15 January 2018, the Council's main contractor on the Vision Tameside project, Carillion, was put into liquidation. Since then the Local Education Partnership (LEP), through whom Carillion were contracted, have worked to find an alternative contractor to take over the construction project to enable completion of the scheme. On 6 February 2018, the LEP terminated the Vision Tameside construction contract with Carillion and on 7 February 2018 entered into an Early Works Agreement with Robertson Group. The early works agreement is still ongoing, which has allowed works to recommence on site and due diligence to be conducted before arriving at a final contract price to completion. Payments are being made on an open book cost plus arrangement until a new contract is signed.

3. SUMMARY

- 3.1 The current forecast is for service areas to have spent £64.838m on capital investment in 2018/19, which is £11.391m less than the current capital budget for the year. This slippage is spread across a number of areas, and is in part due project delays now being experienced as a result of the liquidation of Carillion who, through the Local Enterprise Partnership (LEP) were delivering or managing a number of key projects.
- 3.2 It is proposed that the capital investment programme is re-profiled to reflect current information. Proposed re-profiling of £10.796m into the next financial year is identified in within the individual service area tables in **Appendix 3**.
- 3.3 Once re-profiling has been taken into account, capital investment is forecast to be £0.595m less than the capital budget for this year.
- 3.4 Section 4 of this report summarises the key messages from the period 6 capital monitoring exercise. There are no significant variances where project spend is expected to significantly exceed budgeted resources, although there are some minor variations across a number of schemes. A number of variations have arisen where projected outturn is less than budget due to slippage in the delivery of the capital programme, resulting in a number of requests for re-profiling into the 2019/20 financial year.

3.5 Table 1 below provides a high level summary of capital expenditure by service area.

Table 1: Overall capital monitoring statement April 2018 – September 2018

CAPITAL MONITORING STATEMENT - SEPTEMBER 2018				
	2018/19 Budget	Actual to 30 September 2018	Projected 2018/19 Outturn	Projected Outturn Variation
	£000	£000	£000	£000
Growth				
Vision Tameside	17,343	5,869	17,343	0
Investment & Development	4,451	797	3,528	(923)
Estates	716	0	716	0
Operations and Neighbourhoods				
Engineers	15,269	4,756	15,391	122
Environmental Services	535	56	251	(284)
Transport (Fleet)	362	0	261	(101)
Corporate Landlord	112	67	145	33
Stronger Communities	35	1	35	0
Children's				
Education	15,074	654	7,463	(7,611)
Finance & IT				
Finance	11,300	5,639	11,300	0
Digital Tameside	4,607	503	3,735	(872)
Population Health				
Active Tameside	5,810	197	4,410	(1,400)
Adults				
Adults	605	0	250	(355)
Governance				
Exchequer	10	0	10	0
Total	76,229	18,539	64,838	(11,391)

3.6 Table 2 below shows the current proposed resources funding the 2018/19 approved projects.

Table 2: Funding statement for 2018/19 approved projects

Resources	£000
Grants & Contributions	29,379
Revenue Contributions	4
Corporate:	
- Prudential Borrowing	5,122
- Reserves & Receipts	41,724
Total	76,229

3.7 The resourcing structure, however, is not final and the Director of Finance will make the best use of resources available at the end of the financial year as part of the year end financing decisions.

3.8 A breakdown of resources by service area is included in **Appendix 2**.

4. CAPITAL EXPENDITURE TO DATE AND PROJECTED OUTTURN 2018/19

4.1 This section of the report provides an update of capital expenditure to date in 2018/19, along with details of significant schemes and schemes with significant projected variations. A detailed breakdown of all schemes within each service area is included in **Appendix 3** of this report.

Growth

4.2 The table below outlines the projected 2018/19 investment for Growth. A detailed breakdown of all schemes within Growth, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Table 3: Detail of Growth Capital Investment Programme

Capital Scheme	2018/19 Budget £000	2018/19 Actual to date £000	2018/19 Projected Outturn £000	2018/19 Projected Outturn Variation £000
Vision Tameside Capital Programme				
Vision Tameside	16,985	5,866	16,985	0
Vision Tameside Public Realm	200	3	200	0
Other Scheme individually below £1m	158	0	158	0
Total	17,343	5,869	17,343	0
Investment and Development Capital Programme				
Disabled Facilities Grant	3,624	745	2,864	(760)
Various Schemes all individually below £1m	827	52	664	(163)
Total	4,451	797	3,528	(923)
Estates				
Other Schemes individually below £1m	716	0	716	0
Total	716	0	716	0
Grand Total - Growth	22,510	6,666	21,587	(923)

4.3 The most significant capital project within the Growth directorate is Vision Tameside. This project is currently forecasting that expenditure in 2018/19 will be within budget. Regular detailed reports on progress with the Vision Tameside project are considered by the Strategic Planning and Capital Monitoring Panel.

4.4 Projected outturn on Disabled Facilities Grant is £0.760m less than budgeted resource. Referrals for assistance for mandatory Disabled Facilities Grant continues to be received; however, there are still people who are unable to meet the criteria but will continue to deteriorate if their need is not addressed. Re-profiling of £0.760m Disabled Facilities Grants budget into 2019/20 has been requested.

- 4.5 Re-profiling of budget has been requested for each of the projected outturn variations identified in table 3 above. Further detail on all the schemes within Growth, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

Operations and Neighbourhoods

- 4.6 Table 4 outlines the projected 2018/19 investment for Operations and Neighbourhoods. A detailed breakdown of all schemes within Operations and Neighbourhoods, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Table 4: Detail of Operations and Neighbourhoods Capital Investment Programme

Capital Scheme	2018/19 Budget £000	2018/19 Actual to date £000	2018/19 Projected Outturn £000	2018/19 Projected Outturn Variation £000
Engineers Capital Programme				
Roads	7,285	2,746	7,285	0
Street Lighting	803	204	803	0
Retaining Walls	658	644	658	0
Other Schemes individually below £1m	6,523	1,162	6,645	122
Total	15,269	4,756	15,391	122
Environmental Services Capital Programme				
Other Scheme individually below £1m	535	56	251	(284)
Total	535	56	251	(284)
Transport Capital Programme				
Other Schemes individually below £1m	362	0	261	(101)
Total	362	0	261	(101)
Corporate Landlord Capital Programme				
Other Schemes individually below £1m	112	67	145	33
Total	112	67	145	33
Stronger Communities Capital Programme				
Other Schemes individually below £1m	35	1	35	0
Total	35	1	35	0
Grand Total – Ops and Neighbourhoods	16,313	4,880	16,083	(230)

- 4.7 The most significant element of the Operations and Neighbourhoods Capital Investment Programme is Engineers, which is currently forecasting projected spend in 2018/19 in excess of budget. This variation has arisen due to significantly increased car park construction costs due to additional excavation and tree clearance requirements.
- 4.8 The variance on the transport capital programme has arisen due to vehicles originally planned to be purchased in year no longer meeting the required specification; replacement vehicles will now be purchased in 2018/19. Other variations in the Environmental Services capital programme relate to schemes being under budget and minor slippage over a number of schemes. Re-profiling of £0.301m of budget into 2019/20 has been requested.

- 4.9 Further detail on all the schemes within Operations and Neighbourhoods, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Children's Services

- 4.10 Table 5 outlines the projected 2018/19 investment for Children's Services. A detailed breakdown of all schemes within Children's services, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Table 5: Detail of Children's Services Capital Investment Programme

Capital Scheme	2018/19 Budget £000	2018/19 Actual to date £000	2018/19 Projected Outturn £000	2018/19 Projected Outturn Variation £000
Education Capital Programme				
Aldwyn Primary Additional Accommodation	2,228	0	1,000	(1,228)
Hyde Community College	1,721	0	1,000	(721)
Mossley Hollins- 4 Classroom Extension	1,581	504	1,081	(500)
Alder Community High School	1,146	0	400	(746)
Other Schemes individually below £1m And unallocated funding	8,398	150	3,982	(4,416)
Total	15,074	654	7,463	(7,611)

- 4.11 Regular detailed reports on progress with the Education Capital Programme are considered elsewhere on the Strategic Planning and Capital Monitoring Panel agenda. The Education Capital Programme is currently forecasting that outturn will be £7.611m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £6.948m of budget into 2019/20 has been requested.

Finance and IT

- 4.12 Table 6 outlines the projected 2018/19 investment for Finance and IT. A detailed breakdown of all schemes within Finance and IT, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Table 6: Detail of Finance & IT Capital Investment Programme

Capital Scheme	2018/19 Budget £000	2018/19 Actual to date £000	2018/19 Projected Outturn £000	2018/19 Projected Outturn Variation £000
Digital Tameside Capital Programme				
DCMS Fibre	2,058	289	2,058	0
ICT- Vision Tameside	1,215	40	1,215	0
Schemes individually below £1m	1,334	174	462	(872)
Total	4,607	503	3,735	(872)
Finance				
Strategic Investment In Manchester Airport	11,300	5,639	11,300	0

Total	11,300	5,639	11,300	0
Grand Total – Finance and IT	15,907	6,142	15,035	(872)

4.13 A detailed breakdown of all schemes within Finance and IT, including prior year spend on significant projects, future budgets and re-profiling is set out in **Appendix 3**.

Population Health

4.14 Table 7 below, outlines the projected 2018/19 investment for Population Health. A detailed breakdown of all schemes within Population Health, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

Table 7: Detail of Population Health Capital Investment Programme

Capital Scheme	2018/19 Budget £000	2018/19 Actual to date £000	2018/19 Projected Outturn £000	2018/19 Projected Outturn Variation £000
Active Tameside Capital Programme				
New Denton Facility	5,500	179	4,100	(1,400)
Schemes individually below £1m	310	18	310	0
Total	5,810	197	4,410	(1,400)

4.15 Regular detailed reports on progress with the Active Tameside Capital Programme are considered by the Strategic Planning and Capital Monitoring Panel and are elsewhere on this agenda. The projected spend in 2018/19 is currently £1.400m under budget. Delays to these schemes are due to a later than anticipated start to work on the Denton Wellness Centre and the contractor for the Hyde Leisure Pool extension withdrawing just prior to the signing of the contract.

4.16 Re-profiling of £1.400m of budget into 2019/20 has been requested. A detailed breakdown of Active Tameside programme, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

Adults

4.17 A breakdown of the Adults Capital Programme is provided in **Appendix 3**. Re-profiling of £0.355m of budget into 2019/20 has been requested. A detailed breakdown including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

Governance

4.18 A breakdown of the Exchequer Capital Programme is provided in **Appendix 3**.

5. CAPITAL RECEIPTS

5.1 With the exception of capital receipts earmarked as specific scheme funding, all other capital receipts are retained in the Capital Receipts Reserve and utilised as funding for the Council's corporately funded capital expenditure, together with any other available resources identified in the medium term financial strategy.

5.2 Further information on capital receipts can be found in **Appendix 4**.

6. PRUDENTIAL INDICATORS

- 6.1 The CIPFA Prudential Code for Finance in Local Authorities was introduced as a result of the Local Government Act (2003) and was effective from 1 April 2004. The Code sets out indicators that must be monitored to demonstrate that the objectives of the Code are being fulfilled.
- 6.2 The initial Prudential Indicators for 2018/19 and the following two years were agreed by the Council in February 2018. The Capital Expenditure indicator has been updated to reflect the latest position.
- 6.3 The latest Prudential Indicators are shown in **Appendix 5**.

7. RECOMMENDATIONS

- 7.1 As set out at the front of the report.