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| <b>Report to:</b>  | <b>EXECUTIVE CABINET</b>  |
| <b>Date:</b>   | 13 February 2019  |
| <b>Executive Director</b>  | Councillor Bill Fairfoull – Deputy Executive Leader   |
| <b>/Reporting Officer:</b>   | Kathy Roe – Director of Finance   |
| <b>Subject:</b>  | <b>CAPITAL MONITORING PERIOD 9 2018/19</b>  |
| <b>Report Summary:</b>   | <p>This report summarises the 2018/19 capital expenditure monitoring position at 31 December 2018, based on information provided by project managers.</p> <p>The report shows projected capital investment in 2018/19 of £56.441m 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. Further detail on reasons for slippage are set out in the body of the report.</p>  |
| <b>Recommendations:</b>  | <p>Members are asked to approve the following:</p> <ul style="list-style-type: none"> <li>(i) The reprofiling of £9.308m of capital budgets as set out in Appendix 3 to reflect up to date investment profiles.</li> <li>(ii) The removal of £0.500m from the Capital Programme Disabled Facilities Grants budget. This will be placed in a ring fenced reserve for a new financial assistance policy as outlined in paragraph 4.4.</li> <li>(iii) The changes to the Capital Programme as set out in Appendix 1.</li> <li>(iv) The updated Prudential Indicator position set out in Appendix 5.</li> </ul> <p>Members are asked to note:</p> <ul style="list-style-type: none"> <li>(i) The current capital budget monitoring position.</li> <li>(ii) The resources currently available to fund the Capital Programme.</li> <li>(iii) The updated capital receipts position.</li> <li>(iv) The timescales for review of the Council’s three year capital programme.</li> </ul> |
| <b>Corporate Plan:</b>   | The Capital Programme ensures investment in the Council’s infrastructure is in line with the Corporate Plan.  |
| <b>Policy Implications:</b>  | In line with Council Policies.  |
| <b>Financial Implications:</b>   | These are the subject of the report. In summary:  |
| <b>(Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b> | <ul style="list-style-type: none"> <li>• The forecast outturn for 2018/19 is £56.441m compared to the 2018/19 revised budget of £66.290m</li> <li>• Re-profiling of £9.308m into future year(s) to match expected spending profile has been requested.</li> </ul> <p>Demand for capital resources exceeds availability and it is essential that those leading projects ensure that the management</p>   |

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. Capital is one off spend on infrastructure and need to be replenished by selling assets in the absence of grant monies from Government to enable a capital programme. Every project also has ongoing running as well as lifecycle costs which need to be factored into it.

**Risk Management:**

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

**Background 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 third capital monitoring report for 2018/19, summarising the forecast outturn based on the financial activity to 31 December 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, which have resulted in a £9.939m reduction since the period 6 monitoring report. These are largely due to the re-profiling of £10.796m into 2019/20 approved in period 6. After period 6 re-profiling there is a balance of £0.857m compared to the budget for period 9. A full breakdown of the changes can be found in **Appendix 1** of this report.
- 2.2 A Capital Programme Review was presented at Executive Cabinet on 25 July 2018, which 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. **Appendix 2** shows the current shortfall the Council faces with the available resources.
- 2.3 On 15 January 2018, the Council's main contractor on the Vision Tameside project, Carillion, was put into liquidation. The Local Education Partnership (LEP), through whom Carillion were contracted, 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. Payments are being made on an open book cost plus arrangement and are being independently verified to confirm they are comparable within the market. Costs have been maintained within the approved funding envelope.

## 3. SUMMARY

- 3.1 The current forecast is for service areas to have spent £56.463m on capital investment in 2018/19, which is £9.827m 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 Education 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 £9.308m into the next financial year is identified in within the individual service area tables in **Appendix 3**. Approved re-profiling at Quarter 1 was £16.753m and £10.796m at Quarter 2.
- 3.3 Once re-profiling has been taken into account, capital investment is forecast to be £0.541m less than the capital budget for this year.
- 3.4 Section 4 of this report summarises the key messages from the period 9 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 – December 2018**

| <b>CAPITAL MONITORING STATEMENT - DECEMBER 2018</b> |                           |   |  |  |
|---|---------------------------|---|--|--|
|   | <b>2018/19<br/>Budget</b> | <b>Actual to 31<br/>December<br/>2018</b> | <b>Projected<br/>2018/19<br/>Outturn</b> | <b>Projected<br/>Outturn<br/>Variation</b> |
|   | <b>£000</b>               | <b>£000</b>                               | <b>£000</b>                              | <b>£000</b>                                |
| <b>Growth</b>                                       |                           |   |  |  |
| Vision Tameside                                     | 18,836                    | 12,066                                    | 17,473                                   | 1,363                                      |
| Investment & Development                            | 4,253                     | 1,366                                     | 2,371                                    | 1,882                                      |
| Estates   | 716                       | 0   | 624                                      | 92   |
| <b>Operations and Neighbourhoods</b>                |                           |   |  |  |
| Engineers   | 13,442                    | 5,419                                     | 11,233                                   | 2,209                                      |
| Environmental Services                              | 400                       | 137                                       | 379                                      | 21   |
| Transport (Fleet)                                   | 362                       | 0   | 250                                      | 112  |
| Corporate Landlord                                  | 245                       | 67  | 159                                      | 86   |
| Stronger Communities                                | 35                        | 1   | 31                                       | 4  |
| <b>Children's</b>                                   |                           |   |  |  |
| Education   | 8,126                     | 1,427                                     | 4,688                                    | 3,438                                      |
| Children  | 50                        | 0   | 50                                       | 0  |
| <b>Finance &amp; IT</b>                             |                           |   |  |  |
| Finance   | 11,300                    | 11,278                                    | 11,278                                   | 22   |
| Digital Tameside                                    | 3,855                     | 1,916                                     | 3,345                                    | 510  |
| <b>Population Health</b>                            |                           |   |  |  |
| Active Tameside                                     | 4,410                     | 2,530                                     | 4,350                                    | 60   |
| <b>Adults</b>                                       |                           |   |  |  |
| Adults  | 250                       | 0   | 200                                      | 50   |
| <b>Governance</b>                                   |                           |   |  |  |
| Exchequer   | 10                        | 0   | 10                                       | 0  |
| <b>Total</b>  | <b>66,290</b>             | <b>36,207</b>                             | <b>56,441</b>                            | <b>9,849</b>                               |

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**

| <b>Resources</b>       | <b>£000</b>   |
|------------------------|---------------|
| Grants & Contributions | 20,245        |
| Revenue Contributions  | 61            |
| <b>Corporate:</b>      |               |
| - Prudential Borrowing | 4,772         |
| - Reserves & Receipts  | 41,212        |
| <b>Total</b>           | <b>66,290</b> |

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 4: 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 |
|---|---------------------|-----------------------------|--------------------------------|--|
| <b>Vision Tameside Capital Programme</b>            |                     |                             |                                |  |
| Vision Tameside                                     | 17,105              | 12,063                      | 17,105                         | 0  |
| Vision Tameside Public Realm                        | 1,573               | 3                           | 210                            | 1,363                                    |
| Document Scanning                                   | 158                 | 0                           | 158                            | 0  |
| <b>Total</b>  | <b>18,836</b>       | <b>12,066</b>               | <b>17,473</b>                  | <b>1,363</b>                             |
| <b>Investment and Development Capital Programme</b> |                     |                             |                                |  |
| Disabled Facilities Grant                           | 2,864               | 1,235                       | 1,664                          | 1,200                                    |
| Other Schemes individually below £1m                | 1,389               | 131                         | 707                            | 682                                      |
| <b>Total</b>  | <b>4,253</b>        | <b>1,366</b>                | <b>2,371</b>                   | <b>1,882</b>                             |
| <b>Estates</b>                                      |                     |                             |                                |  |
| Other Schemes individually below £1m                | 716                 | 0                           | 624                            | 92                                       |
| <b>Total</b>  | <b>716</b>          | <b>0</b>                    | <b>624</b>                     | <b>92</b>                                |
| <b>Grand Total – Growth</b>                         | <b>23,805</b>       | <b>13,432</b>               | <b>20,468</b>                  | <b>3,337</b>                             |

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 £1.363m less than budgeted resource. This is due to grant funding which was previously allocated to the Engineers capital programme being transferred to support the Vision Tameside project on 24 October 2018. This grant will fund the public realm works in the environment of the new building, Tameside One. It is anticipated that this additional funding will be spent in 2019/20 so re-profiling has been requested. 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 £1.200m less than budgeted resource. Referrals for assistance for mandatory Disabled Facilities Grant continue 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. With overall increased Government funding, it is proposed to remove £0.500m to a ring-fenced reserve for consideration as part of the proposed roll out of the new financial assistance policy, which Executive Cabinet approved for consultation on 28 November 2018. Re-profiling of £0.700m Disabled Facilities Grants budget into 2019/20 has also been requested.
- 4.5 Re-profiling of budget has been requested for each of the projected outturn variations identified in table 4 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 5 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 5: Detail of Operations and Neighbourhoods Capital Investment Programme**

| Capital Scheme                                  | 2018/19 Budget<br>£000 | 2018/19 Actual to date<br>£000 | 2018/19 Projected Outturn<br>£000 | 2018/19 Projected Outturn Variation<br>£000 |
|---|------------------------|--------------------------------|-----------------------------------|---|
| <b>Engineers Capital Programme</b>              |                        |                                |                                   |   |
| Roads   | 7,285                  | 3,116                          | 5,619                             | 1,666                                       |
| Street Lighting                                 | 803                    | 311                            | 544                               | 259   |
| Retaining Walls                                 | 658                    | 650                            | 658                               | 0   |
| Other Schemes individually below £1m            | 4,696                  | 1,342                          | 4,412                             | 284   |
| <b>Total</b>                                    | <b>13,442</b>          | <b>5,419</b>                   | <b>11,233</b>                     | <b>2,209</b>                                |
| <b>Environmental Services Capital Programme</b> |                        |                                |                                   |   |
| Other Schemes individually below £1m            | 400                    | 137                            | 379                               | 21  |
| <b>Total</b>                                    | <b>400</b>             | <b>137</b>                     | <b>379</b>                        | <b>21</b>                                   |
| <b>Transport Capital Programme</b>              |                        |                                |                                   |   |
| Other Schemes individually below £1m            | 362                    | 0                              | 250                               | 112   |
| <b>Total</b>                                    | <b>362</b>             | <b>0</b>                       | <b>250</b>                        | <b>112</b>                                  |
| <b>Corporate Landlord Capital Programme</b>     |                        |                                |                                   |   |
| Other Schemes individually below £1m            | 245                    | 67                             | 159                               | 86  |
| <b>Total</b>                                    | <b>245</b>             | <b>67</b>                      | <b>159</b>                        | <b>86</b>                                   |
| <b>Stronger Communities Capital Programme</b>   |                        |                                |                                   |   |
| Other Schemes individually below £1m            | 35                     | 1                              | 31                                | 4   |
| <b>Total</b>                                    | <b>35</b>              | <b>1</b>                       | <b>31</b>                         | <b>4</b>                                    |
| <b>Grand Total – Ops and Neighbourhoods</b>     | <b>14,484</b>          | <b>5,624</b>                   | <b>12,052</b>                     | <b>2,432</b>                                |

- 4.7 The most significant element of the Operations and Neighbourhoods Capital Investment Programme is the Engineers department, which is currently projecting spend in 2018/19 of

£2.209m less than budgeted resource. This variation has arisen due to road work being impacted by restricted contractor numbers and a limit to the number of roads that can be restricted at any one time. Additional contractor resource was added in the autumn 2018. A number of major schemes have been rescheduled for March 2019. There will be a possibility that further re-phasing will be required in Spring/Summer 2019 due to night time working being required and co-ordination with other organisations.

- 4.8 As set out in the Vision Tameside paragraph 4.3 above, £1.373m has been transferred from this area to support the Public Realm element of the Vision Tameside Project.
- 4.9 Re-profiling of budget of £2.276m into 2019/20 has been requested. Regular detailed reports on progress with the Engineers Capital Programme are considered by the Strategic Planning and Capital Monitoring Panel.
- 4.10 The variance on the transport capital programme has arisen due to vehicles originally planned to be purchased in year no longer meeting the required emissions specification; replacement vehicles will now be purchased in 2019/20. 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 £0.060m of budget into 2019/20 has been requested.
- 4.11 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

- 4.12 Table 6 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 6: 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 |
|---|---------------------|-----------------------------|--------------------------------|--|
| <b>Education Capital Programme</b>                              |                     |                             |                                |  |
| Aldwyn Primary School   | 1,558               | 110                         | 558                            | 1,000                                    |
| Alder Community High School                                     | 1,168               | 296                         | 450                            | 718                                      |
| Mossley Hollins High School                                     | 1,081               | 684                         | 750                            | 331                                      |
| Hyde Community College  | 1,025               | 31                          | 500                            | 525                                      |
| Other Schemes individually below £1m<br>And unallocated funding | 3,294               | 306                         | 2,430                          | 864                                      |
| <b>Total</b>  | <b>8,126</b>        | <b>1,427</b>                | <b>4,688</b>                   | <b>3,438</b>                             |
| <b>Children</b>   |                     |                             |                                |  |
| Other Schemes individually below £1m                            | 50                  | 0                           | 50                             | 0  |
| <b>Total</b>  | <b>50</b>           | <b>0</b>                    | <b>50</b>                      | <b>0</b>                                 |
| <b>Grand Total – Children</b>                                   | <b>8176</b>         | <b>1,427</b>                | <b>4,738</b>                   | <b>3,438</b>                             |

- 4.13 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 £3.438m less than budgeted

resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £3.441m of budget into 2019/20 has been requested.

#### Finance and IT

- 4.14 Table 7 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 7: 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 |
|--|---------------------|-----------------------------|--------------------------------|--|
| <b>Digital Tameside Capital Programme</b>  |                     |                             |                                |  |
| DCMS Fibre                                 | 2,058               | 1,502                       | 2,058                          | 0  |
| ICT- Vision Tameside                       | 1,215               | 77                          | 805                            | 410                                      |
| Schemes individually below £1m             | 582                 | 337                         | 482                            | 100                                      |
| <b>Total</b>                               | <b>3,855</b>        | <b>1,916</b>                | <b>3,345</b>                   | <b>510</b>                               |
| <b>Finance</b>                             |                     |                             |                                |  |
| Strategic Investment In Manchester Airport | 11,300              | 11,278                      | 11,278                         | 22                                       |
| <b>Total</b>                               | <b>11,300</b>       | <b>11,278</b>               | <b>11,278</b>                  | <b>22</b>                                |
| <b>Grand Total – Finance and IT</b>        | <b>15,155</b>       | <b>13,194</b>               | <b>14,623</b>                  | <b>532</b>                               |

- 4.15 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

- 4.16 Table 8, 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 8: 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 |
|--|---------------------|-----------------------------|--------------------------------|--|
| <b>Active Tameside Capital Programme</b> |                     |                             |                                |  |
| New Denton Facility                      | 4,100               | 2,512                       | 4,310                          | (210)                                    |
| Extension to Hyde Leisure Pool           | 250                 | 18                          | 40                             | 210                                      |
| Wave Machine at Hyde Leisure             | 60                  | 0                           | 0                              | 60                                       |
| <b>Total</b>                             | <b>4,410</b>        | <b>2,530</b>                | <b>4,350</b>                   | <b>60</b>                                |

- 4.17 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.



- 4.18 The expenditure profile estimates have now been refined for the Tameside Wellness Centre, Denton scheme. Approval for budget rephasing of £0.210m from 2019/20 to 2018/19 is being sought due to progress being ahead of schedule. There is no change to the total scheme budget.
- 4.19 Delays on the Extension to Hyde Leisure Pool due to technical issues have been compounded by the late withdrawal of the first appointed main contractor earlier this financial year and then the second in December 2018. The Council is working on a plan of action to secure the delivery of this scheme. Approval of budget re-profiling of £0.210m is being sought.
- 4.20 The installation of the wave machine will require a short building closure. Work on the Hyde pool extension is now anticipated to start in 2019/20. Approval of for the scheme budget of £0.060m is being sought.
- 4.21 A detailed breakdown of Active Tameside programme, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

#### **Adults**

- 4.22 A breakdown of the Adults Capital Programme is provided in **Appendix 3**. Re-profiling of £0.050m 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**

- 4.23 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 held 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 plan.
- 5.2 As per section 2.2 of this report, a reprioritisation exercise is currently underway to assess which earmarked schemes can be progressed. There is a current funding gap of £20m, if all capital aspirations were to be progressed, and this gap will increase further if anticipated receipts are not achieved.
- 5.3 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**.