

<b>Report to:</b>	<b>EXECUTIVE CABINET</b>
<b>Date:</b>	28 August 2019
<b>Executive Member/Clinical Lead/Reporting Officer:</b>	Councillor Ryan – Executive Member for Finance & Economic Growth Kathy Roe – Director of Finance
<b>Subject:</b>	<b>CAPITAL MONITORING PERIOD 3 2019/20</b>
<b>Report Summary:</b>	<p>This report summarises the 2019/20 capital expenditure monitoring position at 30 June 2019, based on information provided by project managers.</p> <p>The report shows projected capital investment in 2019/20 of £58.756m by March 2020. It has been necessary to re - profile some schemes within Engineers and Education capital schemes, resulting in the need to transfer £2.468m from 2019/20 into 2020/21.</p>
<b>Recommendations:</b>	<p>Members are asked to approve the following:</p> <ul style="list-style-type: none"> <li>(i) The reprofiling of £2.468m of capital budgets as summarised in Table 2 and set out in <b>Appendix 3</b> to reflect up to date investment profiles</li> <li>(ii) The changes to the Capital Programme as set out in <b>Appendix 1</b></li> <li>(iii) The updated Prudential Indicator position set out in <b>Appendix 5</b> was approved by Council in February 2019</li> <li>(iv) £0.150m additional budget for the Tameside Wellness Scheme as set out in paragraph 4.17</li> <li>(v) Removal of £0.136m remaining budgets of capital schemes which have come to an end as set out in paragraph 7.1.</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> </ul> <p>The timescales for review of the Council's three year capital programme</p>
<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: (Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p>These are the subject of the report. In summary:</p> <ul style="list-style-type: none"> <li>• The forecast outturn for 2019/20 is £58.746m compared to the 2019/20 revised budget of £60.228m</li> <li>• Re-profiling of £2.468m into future year(s) to match expected spending profile has been requested.</li> <li>• Additional budget of £0.150m for the Tameside Wellness Centre funded from within unallocated capital resources</li> </ul>

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. The role of Strategic Planning and Capital Monitoring is to do this and hold executive members and Directors to account. 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.

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.

**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 first capital monitoring report for 2019/20, summarising the forecast outturn based on the financial activity to 30 June 2019.
- 1.2 Executive Cabinet approved a revised capital programme on 26 March 2019 which set the three year capital programme budget at £112.579m. Executive Cabinet also approved an additional budget for the laptop replacement programme on 24 April 2019 that increased this budget to £113.267m. This budget is split between schemes that have been fully approved of £62.874m, and capital sums earmarked towards schemes valued at £50.393m.
- 1.3 The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2019/20 financial year. The approved budget for 2019/20 is £60.228m. Additional schemes will be added to future detailed monitoring reports once business cases have been approved by Executive Cabinet.

## 2. CHANGES SINCE THE LAST MONITORING REPORT

- 2.1 There have been changes to the 2019/20 Capital Programme to the value of £11.750m since the start of the financial year. This includes slippage from 2018/19 of £5.812m. Additional changes are due to the approval of the Highways Asset Management plan of £5.250m and £0.688m for the new laptop replacement scheme. 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 has now been completed in order to determine which schemes that have been earmarked but not fully approved should proceed, and which should be temporarily placed on hold.
- 2.3 On 26 March 2019, Executive Cabinet approved the prioritisation of the capital programme. **Appendix 1** of this report summarises the number and total value of approved and earmarked schemes based on the current capital programme. **Appendix 2** shows the current shortfall the Council of £25.7m faces with the available resources based on the current approved capital programme.
- 2.4 In March 2019 the Tameside One building was completed. This is the main construction of the Vision Tameside project. There continues to be evaluation and scrutiny to ensure that any defects are remedied. Payments are 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 £58.746m on capital investment in 2019/20, which is £1.482m less than the current capital budget for the year. This variation is spread across a number of areas, and is made up of a number of additional costs due to overspends against a number of specific schemes (£0.986m) less the rephrasing of expenditure in some other areas (£2.468m).
- 3.2 It is proposed that the capital investment programme is re-profiled to reflect current information. Proposed re-profiling of £2.468m into the next financial year is identified 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 £0.986m more than the capital budget for this year. This forecast overspend is due to:

- DCMS Wave 2 work commencing forecast to spend £260k in advance of the grant of £2,120k being agreed including a £10k overspend on CCTV. It is expected that this grant will be received which will reduce this overspend, but until contracts are signed it is flagged as an overspend.
- Fairlea, Denton and Greenside Lane Droylsden land slip work will overspend by £400k due to more complexities on the site.
- Hospital Car Parking overspend of £216k due to redesign to comply with the Disabled Access Regulations.
- Retrospective approval of Statutory Compliance works of £156k

3.4 Section 4 of this report summarises the key messages from the period 3 capital monitoring exercise. There are no individual significant variances where project spend is expected to significantly exceed budgeted resources, although there are some minor variations across a number of schemes, resulting in the overall forecast of £0.986m in excess of budget. These changes are illustrated in Table 1.

**Table 1: Capital Monitoring Reconciliation**

<b>CAPITAL MONITORING RECONCILIATION</b>		
	<b>Scheme</b>	<b>£000</b>
<b>Projected Outturn Variation</b>		<b>1,482</b>
Corporate Landlord	Statutory Compliance	156
<b>Overspends</b>		
Engineers	Hospital Car Parking	216
Environmental Services	Fairlea, Denton and Greenside Lane Droylsden	400
Digital Tameside	DCMS Fibre	250
Digital Tameside	CCTV Fibre	10
<b>Underspends</b>		
Children	Minor Schemes (Under £100k)	(46)
<b>Sub-total of Underspends/Overspends</b>		<b>986</b>
<b>Re-profiling Requested</b>		<b>2,468</b>

3.5 Table 2 below provides a high level summary of capital expenditure by service area.

**Table 2: Overall capital monitoring statement April 2019 – June 2019**

<b>CAPITAL MONITORING STATEMENT – JUNE 2019</b>					
	<b>2019/20 Budget</b>	<b>Actual to 30 June 2019</b>	<b>Projected 2019/20 Outturn</b>	<b>Projected Outturn Variation</b>	<b>Re-profiling requested</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Growth</b>					
Vision Tameside	7,204	811	7,204	0	0
Investment & Development Estates	6,560	529	6,560	0	0
Corporate Landlord	716	0	716	0	0
	265	8	421	(156)	0
<b>Operations and Neighbourhoods</b>					
Engineers	12,322	2,619	10,843	1,479	(1,695)
Environmental Services	3,749	28	4,149	(400)	0
Transport (Fleet)	260	69	260	0	0
Stronger Communities	27	0	27	0	0
<b>Children's</b>					
Education	11,224	27	10,405	819	(773)
<b>Finance &amp; IT</b>					
Digital Tameside	2,597	258	2,857	(260)	0
<b>Population Health</b>					
Active Tameside	15,030	1,780	15,030	0	0
<b>Adults</b>					
Adults	583	0	583	0	0
<b>Total</b>	<b>60,228</b>	<b>6,126</b>	<b>58,756</b>	<b>1,482</b>	<b>(2,468)</b>

3.6 Table 3 below shows the current proposed resources funding the 2019/20 approved projects.

**Table 3: Funding statement for 2019/20 approved projects**

<b>Resources</b>	<b>£000</b>
Grants & Contributions	21,760
Revenue Contributions	57
<b>Corporate:</b>	
- Prudential Borrowing	12,200
- Reserves & Receipts	26,211
<b>Total</b>	<b>60,228</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 2019/20

- 4.1 This section of the report provides an update of capital expenditure to date in 2019/20, 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 2019/20 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	2019/20 Budget £000	2019/20 Actual to date £000	2019/20 Projected Outturn £000	2019/20 Projected Outturn Variation £000
<b>Vision Tameside Capital Programme</b>				
Vision Tameside Public Realm	4,698	15	4,698	0
Vision Tameside	2,348	796	2,348	0
Document Scanning	158	0	158	0
<b>Total</b>	<b>7,204</b>	<b>811</b>	<b>7,204</b>	<b>0</b>
<b>Investment and Development Capital Programme</b>				
Ashton Old Baths Annex	2,435	51	2,435	0
Disabled Facilities Grant	1,508	448	1,508	0
Ashton Town Centre & Civic Square	1,504	0	1,504	0
Other Schemes individually below £1m	1,113	30	1,113	0
<b>Total</b>	<b>6,560</b>	<b>529</b>	<b>6,560</b>	<b>0</b>
<b>Estates</b>				
Other Schemes individually below £1m	716	0	716	0
<b>Total</b>	<b>716</b>	<b>0</b>	<b>716</b>	<b>0</b>
<b>Corporate Landlord</b>				
Other Schemes individually below £1m	265	8	421	(156)
<b>Total</b>	<b>265</b>	<b>8</b>	<b>421</b>	<b>(156)</b>
<b>Grand Total – Growth</b>	<b>14,745</b>	<b>1,348</b>	<b>14,901</b>	<b>(156)</b>

- 4.3 The most significant capital project within the Growth directorate is Vision Tameside. This project is currently forecasting that expenditure in 2019/20 will be in line with budgeted resource. Regular detailed reports on progress with the Vision Tameside project are considered by the Strategic Planning and Capital Monitoring Panel.
- 4.4 The variance on the corporate landlord capital programme has arisen due to works being completed when required to ensure that the council's buildings provide a safe and effective environment. Approval to draw down on earmarked resources will be presented to panel on 2 September 2019.

- 4.5 Further detail on all the schemes within Growth, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**. Regular detailed reports on progress with the Development and Investment capital programme are considered by the Strategic Planning and Capital Monitoring Panel.

#### **Operations and Neighbourhoods**

- 4.6 Table 5 outlines the projected 2019/20 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**

<b>Capital Scheme</b>	<b>2019/20 Budget £000</b>	<b>2019/20 Actual to date £000</b>	<b>2019/20 Projected Outturn £000</b>	<b>2019/20 Projected Outturn Variation £000</b>
<b>Engineers Capital Programme</b>				
Roads	7,016	2,389	7,016	0
Street Lighting	1,779	62	1,779	0
Retaining Walls	243	120	243	0
Other Schemes individually below £1m	3,284	48	1,805	1,479
<b>Total</b>	<b>12,322</b>	<b>2,619</b>	<b>10,843</b>	<b>1,479</b>
<b>Environmental Services Capital Programme</b>				
Replacement of Cremators	2,500	0	2,500	0
Other Schemes individually below £1m	1,249	28	1,649	(400)
<b>Total</b>	<b>3,749</b>	<b>28</b>	<b>4,149</b>	<b>(400)</b>
<b>Transport Capital Programme</b>				
Other Schemes individually below £1m	260	69	260	0
<b>Total</b>	<b>260</b>	<b>69</b>	<b>260</b>	<b>0</b>
<b>Stronger Communities Capital Programme</b>				
Other Schemes individually below £1m	27	0	27	0
<b>Total</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>0</b>
<b>Grand Total – Ops and Neighbourhoods</b>	<b>16,049</b>	<b>2,713</b>	<b>14,970</b>	<b>1,079</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 2019/20 of £1.479m less than budgeted resource. This variation has arisen due to Highways England providing a specific grant of £1.950m to the council to provide facilities that promote sustainable travel options between Hyde and Hattersley. This grant covers the financial years up to 2020/21. During 2019/20 financial year, £0.250m is available for the feasibility, design and consultation elements of this project. £1.695m will be available in 2020/21 for construction and commissioning.
- 4.8 There are additional costs for hospital car parking due to a condition being put in place by the planning department. The design team was asked to relocate the proposed access to the Darnton Road Car Park away from the existing nearby houses. This has resulted in a complete level redesign to comply with Disabled Access Regulations. The additional

construction costs for Car Park 2 and 2A does not have a 2019/20 capital budget for this scheme and the source of funding is yet to be agreed.

- 4.9 Re-profiling of budget of £1.695m into 2020/21 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 Environmental Services capital programme relate to Fairlea, Denton and Greenside Lane Droylsden being over budget. The budget is being re-evaluated due to complexities. The amount will be confirmed once all options have been evaluated and a further report will be submitted for approval.
- 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 2019/20 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	2019/20 Budget £000	2019/20 Actual to date £000	2019/20 Projected Outturn £000	2019/20 Projected Outturn Variation £000
<b>Education Capital Programme</b>				
Aldwyn Primary School	2,644	8	2,644	0
Alder Community High School	1,688	0	1,688	0
Hyde Community College	1,200	4	900	300
St John's Dukinfield	1,144	0	1,144	0
Other Schemes individually below £1m And unallocated funding	4,548	15	4,029	519
<b>Total</b>	<b>11,224</b>	<b>27</b>	<b>10,405</b>	<b>819</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 £0.819m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £0.773m of budget into 2020/21 has been requested.

### Finance and IT

- 4.14 Table 7 outlines the projected 2019/20 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	2019/20 Budget £000	2019/20 Actual to date £000	2019/20 Projected Outturn £000	2019/20 Projected Outturn Variation £000
<b>Digital Tameside Capital Programme</b>				
Schemes individually below £1m	2,597	258	2,857	(260)
<b>Total</b>	<b>2,597</b>	<b>258</b>	<b>2,857</b>	<b>(260)</b>

- 4.15 The variance on the Finance and IT capital programme has arisen due to Wave 2 works undertaken by our Engineers team for which there is no approved capital budget. The Wave 2 Grant has been delayed due to the wider bid gateway reviews that relate to other Greater Manchester authorities. It is expected to be finalised in Quarter 3. 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 2019/20 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	2019/20 Budget £000	2019/20 Actual to date £000	2019/20 Projected Outturn £000	2019/20 Projected Outturn Variation £000
<b>Active Tameside Capital Programme</b>				
New Denton Facility	11,680	1,755	11,680	0
Extension to Hyde Leisure Pool	3,290	2	3,290	0
Wave Machine at Hyde Leisure	60	23	60	0
<b>Total</b>	<b>15,030</b>	<b>1,780</b>	<b>15,030</b>	<b>0</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. A detailed breakdown of Active Tameside programme, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.
- 4.18 The Tameside Wellness Centre scheme is progressing well following a Council key decision on 27 April 2017. The Tameside Wellness Centre's total scheme value is £16.224m.
- 4.19 However, we are now experiencing pressure on costs, which requires an additional contingent budget of £0.150m to ensure the scheme isn't delayed unduly resulting in extension of time claims. This represents a cost increase of 1% on the overall scheme. Examples of unbudgeted costs include; enhanced cycle storage facilities and parking control measures. Any unspent contingency will be returned to the Capital Programme at the end of the scheme.

- 4.20 If approved the total value of the scheme in the Capital Programme will increase from £16.224m to £16.374m.

#### **Adults**

- 4.21 A breakdown of the Adults Capital Programme is provided in **Appendix 3**. A detailed breakdown including prior year spend, future budgets and re-profiling is set out 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 has been completed and earmarked schemes have been prioritised. There is a current funding gap of £26m, if all earmarked capital schemes 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 2019/20 and the following two years were agreed by the Council in February 2019. The Capital Expenditure indicator has been updated to reflect the latest position.
- 6.3 The latest Prudential Indicators are shown in **Appendix 5**.

### **7. CAPITAL SCHEMES - NO SPEND**

- 7.1 There are a number of schemes which have been monitored over the financial year 2018-19 which have incurred no spend. There have been no requests made to slip these schemes into financial year 2019-20. These schemes totalling £0.136m will now be removed from the capital programme and returned to be used for capital funding and schemes in prioritisation.
- 7.2 A breakdown of the schemes with no spend can be viewed in **Appendix 6**.

### **8. RECOMMENDATIONS**

- 8.1 As detailed at the start of the report.