

<b>Report To:</b>	<b>STRATEGIC PLANNING AND CAPITAL MONITORING PANEL</b>
<b>Date:</b>	17 August 2023
<b>Executive Member / Reporting Officer:</b>	Cllr Jacqueline North –First Deputy (Finance, Resources & Transformation) Ashley Hughes – Director of Resources
<b>Subject:</b>	<b>Period 3 2023/24 Capital Monitoring Report</b>
<b>Report Summary:</b>	This is the Period 3 Capital Monitoring Report for the current financial year, showing the forecast outturn position.  The Capital programme is forecasting an underspend in-year, with subsequent reprofiling of budgets to future years, of £12.909m. This is due to programme rephasing at major projects including Godley Green and Hawthorn’s Special School.
<b>Recommendations:</b>	That Strategic Planning and Capital Monitoring Panel: <ol style="list-style-type: none"> <li>1. Notes the forecast outturn position set out in table 2.</li> <li>2. Approves the £12.909m reprofiling set out in table 2.</li> <li>3. Notes the financing position set out in table 3.</li> </ol>
<b>Policy Implications:</b>	Budget is allocated in accordance with Council policy.
<b>Financial Implications:</b> <b>(Authorised by the Section 151 Officer &amp; Chief Finance Officer)</b>	As contained within the report.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	The Local Government Act 1972 (Sec 151) states that “every local authority shall make arrangements for the proper administration of their financial affairs...”  Revenue planning and monitoring is an essential part of these arrangements and provides Members with the opportunity to understand and probe the Council’s financial position.  Members will note the forecast outturn position set out in table 2. As the council has a legal duty to deliver a balanced budget by the end of each financial year Members need to be content that there is a robust Medium Term plan in place to ensure that the council’s longer term financial position will be balanced. Ultimately, failure to deliver a balanced budget can result in intervention by the Secretary of State.  The council has a statutory responsibility to ensure that it operates with sufficient reserves in place. The legislation does not stipulate what that level should be, rather that it is the responsibility of the council’s 151 officer to review the level of reserves and confirm that the level is sufficient. Reserves by their very nature are finite and so should only be drawn down after very careful consideration as the reserves are unlikely to be increased in the short to medium term.

**Risk Management:**

Associated details are specified within the report.

Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence. Expenditure in excess of budgeted resources is likely to result in a call on Council reserves, which will reduce the resources available for future investment. The use and reliance on one off measures to balance the budget is not sustainable and makes it more difficult in future years to recover the budget position.

**Background Papers:**

Background papers relating to this report can be inspected by contacting Gemma McNamara, Interim Assistant Director of Finance (Deputy 151 Officer):



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## 1 CAPITAL PROGRAMME

- 1.1 This is the first capital monitoring report for 2023/24, summarising the forecast outturn position at 31 March 2024. The detail of this monitoring report is focused on the budget and forecast expenditure for fully approved projects in the 2023/24 financial year. In addition to fully approved projects the Programme also includes earmarked schemes which have been added to the programme but not specifically allocated yet, for example contingency budgets.
- 1.2 The Council's Capital Programme for 2023/24 to 2025/26 contains £96.939m of schemes, of which £92.062m are fully approved and £4.877m are earmarked. A major risk facing the programme is the ongoing inflationary and supply pressures in the construction sector, which limits the affordability of projects. This is worsened where projects are delayed into future years which means the effects of inflation are further magnified.
- 1.3 Table 1 below shows the full Capital Programme by Service area.

**Table 1 – Capital Programme 2023/24 – 2025/26**

	2023/24	2024/25	2025/26	Earmarked	Total
	£m	£m	£m	£m	£m
<b>Place: Property, Development and Planning</b>					
Development & Investment	21.262	14.834	-	1.542	37.638
Corporate Landlord	0.993	-	-	-	0.993
Vision Tameside	0.073	-	-	-	0.073
Population Health	0.102	-	-	-	0.102
<b>Place: Operations and Neighbourhoods</b>					
Engineers, Highways & Traffic Management	4.725	-	-	-	4.725
Operations & Greenspace	1.370	-	-	-	1.370
Waste & Fleet Management	0.826	-	-	-	0.826
Estates	0.008	-	-	0.095	0.103
<b>Children's Social Care</b>					
School Related Works	22.235	11.504	-	-	33.739
Children's Social Care					
Safeguarding & Quality Assurance	2.863	0.813	-	-	3,676
<b>Adults Social Care</b>					
Adults Commissioning Service	4.745	5.657	0.020	-	10.422
<b>Governance</b>					
Governance	0.032	-	-	0.440	0.472
<b>Total Approved</b>	<b>59.234</b>	<b>32.808</b>	<b>0.020</b>	<b>2.077</b>	<b>94.139</b>
Contingency	-	-	-	2.800	2.800
<b>Total</b>	<b>59.234</b>	<b>32.808</b>	<b>0.020</b>	<b>4.877</b>	<b>96.939</b>

The total approved budget for 2023/24 is £59.234m, as outlined in Table 2 below.

**Table 2 – Capital Expenditure by Service Area**

	2023/24 Budget	Actual to Date	Projected Outturn	Projected Outturn Variation	Reprofiling to / (from) future years	Projected Variation after reprofiling
	£m	£m	£m	£m	£m	£m
<b>Place: Property, Development and Planning</b>						
Development & Investment	21.262	0.583	11.659	(9.603)	(9.604)	0.001
Corporate Landlord	0.993	0.007	0.992	(0.001)	-	(0.001)
Vision Tameside	0.073	-	0.073	-	-	-
Active Tameside	0.102	0.103	0.103	0.001	-	0.001
<b>Place: Operations and Neighbourhoods</b>						
Engineers	4.725	0.129	4.721	(0.004)	-	(0.004)
Ops & Greenspace	1.370	0.065	1.404	0.034	-	0.034
Fleet Replacement	0.826	-	-	(0.826)	(0.826)	-
Estates	0.008	0.007	0.008	-	-	-
<b>Children's Social Care</b>						
Education	22.235	1.016	22.209	(0.026)	-	(0.026)
Children	2.863	0.040	1.222	(1.641)	(1.641)	-
<b>Resources</b>						
Digital Tameside	-	-	-	-	-	-
<b>Adults Social Care</b>						
Adults	4.745	0.367	3.907	(0.838)	(0.838)	-
<b>Governance</b>						
Governance	0.032	0.006	0.023	(0.009)	-	-
<b>Total</b>	<b>59.234</b>	<b>2.323</b>	<b>46.321</b>	<b>(12.913)</b>	<b>(12.909)</b>	<b>0.005</b>

- 1.4 Services are projecting expenditure of £12.913m less than the current capital budget for the year. This variation is spread across various directorates, the major variations are detailed below from section 1.10. Due to the delays to schemes, £12.909m from 2023/24 budgets are recommended to be reprofiled into 2024/25.

### Capital Financing

- 1.5 The Council has limited resources available to fund Capital Expenditure. On 29 September 2021, Executive Cabinet approved the allocation of the remaining capital reserves to immediate priorities. No further capital projects will be approved in the short term unless the schemes are fully funded from external sources. Any additional priority schemes that are put forward for consideration and that are not fully grant funded will need to be evaluated, costed and subject to separate Member approval. There will be a revenue cost for any new capital schemes that are not fully funded from alternative sources and the implications of this will need to be carefully considered, given the on-going pressures on the revenue budget.
- 1.6 A number of schemes identified as priority for future investment include revenue generation or invest to save elements, where borrowing may be appropriate to facilitate investment.

Borrowing to fund Capital Investment has revenue consequences as budget is required to fund interest and repayment of loans, and therefore any such schemes will need to be subject to full business cases. The Council will need a sustainable financial plan for the revenue budget before borrowing commitments are agreed.

**Table 3: Financing of the Full Capital Programme**

Funding Source	Approved Schemes			Earmarked Schemes	Total
	2023/24	Future Years	Total		
	£000	£000	£000	£000	£000
<b>Grants &amp; Contributions</b>	46,230	32,828	<b>79,058</b>	-	<b>79,058</b>
<b>Revenue Contributions</b>	325	-	<b>325</b>	-	<b>325</b>
<b>Prudential Borrowing</b>	2,446	-	<b>2,446</b>	-	<b>2,446</b>
<b>Receipts &amp; Reserves</b>	10,233	-	<b>10,233</b>	4,877	<b>15,110</b>
<b>Total</b>	<b>59,234</b>	<b>32,828</b>	<b>92,062</b>	<b>4,877</b>	<b>96,939</b>

### Capital Reserves and Receipts

- 1.7 Capital reserves of £1.511m are available, of this £1.489m related to reserves held for specific schemes, Godley Green Garden Village and Stalybridge Heritage Action Zone. The remaining £0.022m is held in a general capital reserve.

**Table 4 Capital Reserves**

	Available Capital Reserves
	£000
Specific Capital Reserves	1,489
General Capital Reserve	22
<b>Total Capital Reserves</b>	<b>1,511</b>

- 1.8 The low level of capital reserves is in part consequence of the low level of capital receipts available in prior years. The value of receipts used to finance capital expenditure in the past three years is outlined in the table below:

**Table 5: Capital Receipts**

	Capital Receipts
Year	£000
2022/23	401
2021/22	476
2020/21	55
<b>Total Capital Receipts</b>	<b>932</b>

- 1.9 Approved and earmarked schemes already in the capital programme for future years are reliant on £15.110m of capital receipts and reserves and therefore securing capital receipts will be vital to ensure the programme can be funded. Careful monitoring of progress in realising capital receipts must be undertaken to ensure that there is timely and pro-active disposal of assets and that the actual receipts are in line with projections. The latest disposal programme forecasts £22.107m of receipts from 2023/24 to 2025/26. Disposals have been RAG rated to identify the level of risk associated with the realisation of the capital receipt. Of the total anticipated capital receipts in 2023/24, £0.045m has completed, £1.623m is rated as 'green', £3.510m is rated as 'amber' with conditions to be satisfied, and £0.471m is rated as 'red' with significant uncertainty over delivery. There is a further £5.198m of projected capital receipts in 2024/25 and £11.260m in 2025/26. Of this total, £17.912m is rated amber and £2.547m is rated red. The failure to deliver these receipts would have an adverse effect on the delivery of the capital programme, meaning either schemes would have to be delayed or alternative

financing, such as borrowing, would have to be sought. Borrowing incurs both interest and minimum revenue position (MRP) charges which would be additional revenue costs to the Council. Although there are currently schemes on the programme to be funded by borrowing (see table 3), these are amongst those requested to be reprofiled into 2024/25 and it is not anticipated that any new borrowing will be taken up in year.

### **Budget reprofiling of projects**

- 1.10 Total reprofiling is reported as £12.909m at month 3, as illustrated in table 2. This reprofiling has been incurred due to a number of reasons including delays at design stage along with issues around planning consent and approvals. More detailed narratives around the variations are provided below.

### **Development & Investment**

- 1.11 **Godley Garden Village- (£5.304m)** - A formal request has been made to Homes England to extend the expenditure deadline beyond 31 March 2024 in relation to the Housing Infrastructure Fund works (£9.280m) and associated milestones due to delays obtaining planning consent. A formal decision is yet to be received and, therefore, expenditure has been provisionally re-profiled to 2024/25. This will be confirmed once a formal decision has been received from Homes England.
- 1.12 **Public Realm- (£4.299m)** - Advice received from the Consultant Strategic Advisor has resulted in the continuation of further lines of investigation to ensure the site realises the maximum benefit for Ashton Town Centre. This has led to a delay in the detailed design stage of the project, as a result an element of budget is being reprofiled into 2024-25. Regular progress updates will be provided through the Levelling Up Monitoring framework.

### **Fleet Replacement**

- 1.13 **Fleet Replacement – 40 Vehicles – (£0.826m)** - Initial approval was based on 20/21 estimated costs of £0.826m. Tenders went out for 13 of the 40 items on the programme and these came in at an additional £0.177m above the estimates and therefore the additional expenditure had to be authorised. There is currently a requirement to obtain comparative quotes for lease/contract hire for some of the items which is delaying the procurement and it is therefore unlikely that any of the fleet expenditure will be incurred in the current financial year. Expenditure in excess of the scheme budget still requires authorising and funding arrangements to be agreed.

### **Childrens Social Care**

- 1.14 **New Children's Home – (£1.641m)** – The start of the project has been delayed due to the DFE requirement for formal consultation on the appropriation of land (former Infant School site). The decision to approve the appropriation of land for an alternate use has now been agreed by the Minister. RIBA Stage 2 has recently been completed and at this early stage, the project is anticipated to be approximately £0.200m over budget. The main reasons for this are a small increase in the gross internal floor area, soft market testing of market of the mechanical and electrical works required coming back significantly higher than first estimated and the requirement to have a sub-station to accommodate the new capacity brought by the scheme. Early value engineering has been undertaken during stage 2 and the current cost of the project includes risk and inflation contingencies, which may be taken out as the project moves through its RIBA stages. Further value engineering will also be considered, especially for mechanical and electrical works, in order to manage cost within the original funding envelope. A £0.700m capital bid to the NHSE is being drafted and will be submitted in August. The success, or otherwise, of this bid will be reported in future monitoring reports.

### **Adults Social Care**

- 1.15 **Disabled Facilities Grant (Adaptations) – (£0.704m)** - The entire Disabled Facilities Grant for 2023/24 was applied to this project, there was no expectation that the full budget would be spent on Mandatory Adaptations. Expenditure for adaptations is expected to be similar to the previous year as although current expenditure is lower, approval rates are the same, as is the

financial year end carryover of available jobs.

- 1.16 **Extra Care Assistive Technology – (£0.134m)** - £0.135m of the expected expenditure in 2023/24 occurred as part of the 22/23 Community Alarms Service, and was classed as revenue rather than capital, reducing the potential expenditure for the current financial year.

## **2. RECOMMENDATIONS**

- 2.1 As stated on the front cover of the report.