

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

Date: 8 July 2019

Executive Member/Reporting Officer: Councillor Oliver Ryan – Executive Member (Finance and Economic Growth)

Kathy Roe – Director of Finance

Subject: **CAPITAL OUTTURN 2018/19**

Report Summary: This report summarises the 2018/19 capital expenditure monitoring position at 31 March 2019, based on information provided by project managers.

The report shows actual capital investment in 2018/19 of £51.545m at 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 temporary pause to the Capital Programme. Further details on reasons for slippage are set out in the body of the report.

Recommendations: Members are asked to approve the following:

- (i) The reprofiling of £5.810m of capital budgets as set out in **Appendix 3** to reflect up to date investment profiles.
- (ii) The changes to the Capital Programme as set out in **Appendix 1**.
- (iii) The updated Prudential Indicator position set out in **Appendix 5**.

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.

The timescales for review of the Council's three year capital programme.

Corporate Plan: The Capital Programme ensures investment in the Council's infrastructure is in line with the Corporate Plan.

Policy Implications: In line with Council Policies.

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

(Authorised by the statutory Section 151 Officer & Chief Finance Officer)

- The forecast outturn for 2018/19 is £51.545m compared to the 2018/19 revised budget of £57.444m
- Re-profiling of £5.810m 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 temporary pause to the Capital Programme, as a result of significant cost pressures and 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. The realisation of capital receipts is a key factor driving the affordability of the earmarked capital programme.

Legal Implications:
(Authorised by the Borough Solicitor)

The Council cannot invest in capital projects without the necessary funding as it has to deliver a balanced budget. The reduction in capital receipts has been impacted by the reduction in land sales as an estates and disposal strategy is developed.

Risk Management:

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.

Access to Information:

The background papers relating to this report can be inspected by contacting Heather Green by:



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1. INTRODUCTION

- 1.1 This is the final capital monitoring report for 2018/19, summarising the outturn position on capital expenditure at 31 March 2019. The detail of this monitoring report is focused on the budget and actual outturn expenditure for fully approved projects in the 2018/19 financial year.
- 1.2 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 since the period 9 monitoring report. These are largely due to the re-profiling of £9.308m into 2019/20 approved in 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, needed to be reprioritised in line with current available resources. A reprioritisation exercise has 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 £19.9m 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 service areas have spent £51.545m on capital investment in 2018/19, which is £5.899m 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 temporary pause on the capital programme and 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 £5.810m 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, £10.796m at Quarter 2 and £9.308m at Quarter 3.
- 3.3 Once re-profiling has been taken into account, capital investment is forecast to be £0.089m less than the capital budget for this year.
- 3.4 Section 4 of this report summarises the key messages from the capital outturn position. 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: Capital Outturn Statement 2018/19

CAPITAL OUTTURN STATEMENT 2018/19				
	2018/19 Budget	Outturn	Outturn Variation	Re-profiling requested
	£000	£000	£000	£000
Growth				
Vision Tameside	17,696	15,434	2,262	(2,262)
Investment & Development	2,634	2,112	522	(509)
Estates	624	0	624	(624)
Operations and Neighbourhoods				
Engineers	11,412	10,369	1,043	(1,120)
Environmental Services	431	286	145	(144)
Transport (Fleet)	362	247	115	0
Corporate Landlord	227	341	(114)	122
Stronger Communities	35	4	31	(27)
Children's				
Education	4,768	4,170	598	(598)
Children	50	47	3	0
Finance & IT				
Finance	11,300	11,278	22	0
Digital Tameside	3,345	2,818	527	(527)
Population Health				
Active Tameside	4,350	4,417	(67)	67
Adults				
Adults	200	22	178	(178)
Governance				
Exchequer	10	0	10	(10)
Total	57,444	51,545	5,899	(5,810)

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

Table 2: Funding statement for 2018/19 approved projects

Resources	£000
Grants & Contributions	13,923
Revenue Contributions	56
Corporate:	
-Prudential Borrowing	4,712
-Reserves	38,753
-Receipts	0
Total	57,444

- 3.7 The resourcing structure is final and this has been approved by the Director of Finance. We 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 OUTTURN 2018/19

- 4.1 This section of the report provides an update of capital expenditure in 2018/19, along with details of significant schemes and schemes with significant 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 2018/19 outturn 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 Outturn £000	2018/19 Outturn Variation £000
Vision Tameside Capital Programme			
Vision Tameside	17,328	14,980	2,348
Vision Tameside Public Realm	210	454	(244)
Document Scanning	158	0	158
Total	17,696	15,434	2,262
Investment and Development Capital Programme			
Disabled Facilities Grant	1,923	1,875	48
Other Schemes individually below £1m	711	237	474
Total	2,634	2,112	522
Estates			
Other Schemes individually below £1m	624	0	624
Total	624	0	624
Grand Total – Growth	20,954	17,546	3,408

- 4.3 The most significant capital project within the Growth directorate is Vision Tameside. This project is £2.262m less than budgeted resource in 2018/19. This is due to delays in the construction of Tameside One, which has resulted spending less than budget in this financial year. Expenditure will be incurred in 2019/20 as the project comes to a conclusion including retentions, and relocation costs for buildings such as Ashton Old Library. Expenditure on Vision Tameside Public Realm has been incurred in excess of budget in 2018/19 due to work commencing on the Public Realm earlier than anticipated. Regular detailed reports on progress with the Vision Tameside project are considered by the Strategic Planning and Capital Monitoring Panel.

- 4.4 Outturn on Disabled Facilities Grant is £0.048m 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. Reprofiling of £0.700m Disabled Facilities Grants was approved at period 9 and further re-profiling of £0.048m 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 2018/19 outturn 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 £000	2018/19 Outturn £000	2018/19 Outturn Variation £000
Engineers Capital Programme			
Roads	7,066	7,047	19
Street Lighting	544	625	(81)
Retaining Walls	335	85	250
Other Schemes individually below £1m	3,467	2,612	855
Total	11,412	10,369	1,043
Environmental Services Capital Programme			
Other Schemes individually below £1m	431	286	145
Total	431	286	145
Transport Capital Programme			
Other Schemes individually below £1m	362	247	115
Total	362	247	115
Corporate Landlord Capital Programme			
Other Schemes individually below £1m	227	341	(114)
Total	227	341	(114)
Stronger Communities Capital Programme			
Other Schemes individually below £1m	35	4	31
Total	35	4	31
Grand Total – Ops and Neighbourhoods	12,467	11,247	1,220

- 4.7 The most significant element of the Operations and Neighbourhoods Capital Investment Programme is the Engineers department. Expenditure is £1.043m 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. There have been delays on the retaining walls project due to land negotiations, new procurement

systems and a lack of immediate resources to commence by the contractor. Work is expected to be completed by June 2019.

- 4.8 Re-profiling of budget of £1.120m 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.
- 4.9 The variance on the transport capital programme has arisen due to vehicles originally requested no longer being available which resulted in costs being lower than expected 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 £0.144m of budget into 2019/20 has been requested.
- 4.10 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

- 4.11 Table 6 outlines the 2018/19 outturn 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 Outturn £000	2018/19 Outturn Variation £000
Education Capital Programme			
Other Schemes individually below £1m And unallocated funding	4,768	4,170	598
Total	4,768	4,170	598
Children			
Other Schemes individually below £1m	50	47	3
Total	50	47	3
Grand Total – Children	4,818	4,217	601

- 4.12 Regular detailed reports on progress with the Education Capital Programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The Education Capital Programme is £0.598m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £0.598m of budget into 2019/20 has been requested.

Finance and IT

- 4.13 Table 7 outlines the 2018/19 outturn 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 Outturn £000	2018/19 Outturn Variation £000
Digital Tameside Capital Programme			
DCMS Fibre	2,058	1,938	120
Schemes individually below £1m	1,287	880	407
Total	3,345	2,818	527
Finance			
Strategic Investment In Manchester Airport	11,300	11,278	22
Total	11,300	11,278	22
Grand Total – Finance and IT	14,645	14,096	549

- 4.14 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

- 4.15 Table 8, below, outlines the 2018/19 outturn 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 Outturn £000	2018/19 Outturn Variation £000
Active Tameside Capital Programme			
New Denton Facility	4,310	4,399	(89)
Extension to Hyde Leisure Pool	40	18	22
Wave Machine at Hyde Leisure	0	0	0
Total	4,350	4,417	(67)

- 4.16 Regular detailed reports on progress with the Active Tameside Capital Programme are considered by the Strategic Planning and Capital Monitoring Panel.
- 4.17 A detailed breakdown of Active Tameside programme, including prior year spend, future budgets and re-profiling is set out in **Appendix 3**.

Adults

- 4.18 A breakdown of the Adults Capital Programme is provided in **Appendix 3**. Re-profiling of £0.178m 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

- 4.19 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. A total of £0.599 of Capital Receipts was received in 2018/19, compared to an original forecast of £1m.
- 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 £19.9m, 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**.