

Report to:	EXECUTIVE CABINET
Date:	25 March 2020
Executive Member/Clinical Lead/Reporting Officer:	Councillor Ryan – Executive Member for Finance & Economic Growth Ashwin Ramachandra – Lead Clinical GP Kathy Roe – Director of Finance
Subject:	CAPITAL MONITORING PERIOD 10 2019/20
Report Summary:	<p>This report summarises the 2019/20 capital expenditure monitoring position at 31 January 2020, based on information provided by project managers.</p> <p>The report shows projected capital investment in 2019/20 of £41.470m by March 2020. This is significantly less than the original budgeted capital investment and there is a need to transfer £12.101m of budget from 2019/20 into 2020/21.</p>
Recommendations:	<p>Members are asked to approve the following:</p> <ul style="list-style-type: none"> (i) The re-profiling of £12.101m to reflect up to date investment profiles as set out in Appendix 1. (ii) The changes to the Capital Programme as set out in Appendix 1. (iii) The updated Prudential Indicator position set out in Appendix 4, which was approved by Council in February 2019. (iv) £10m to be added to the Capital Programme for Godley Green (section 3 of this report). (v) £2.5m of DCMS grant funding is added to the Digital Tameside Capital Programme (section 3 of this report). (vi) £0.259m virement from ICT Vision Tameside (Digital Tameside) to Vision Tameside within Operations & Neighbourhoods (Section 3 of this report). <p>Members are asked to note:</p> <ul style="list-style-type: none"> (vii) The current capital budget monitoring position; (viii) The resources currently available to fund the Capital Programme; (ix) The updated capital receipts position; AND (x) The budget for the Data Centre (previously included under Digital Tameside) has been moved and consolidated with the budget for Ashton Old Baths (AOB) within the Growth Directorate because the Data Centre is part of the AOB project. The AOB phase 3 and Data Centre works have been procured and are being managed as one project, and as such for ease of budget monitoring, the budgets have been combined.
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:
(Authorised by the statutory
Section 151 Officer & Chief
Finance Officer)**

These are the subject of the report. In summary:

- The forecast outturn for 2019/20 is £41.470m compared to the 2019/20 revised budget of £53.793m
- Re-profiling of £12.101m into future year(s) to match expected spending profile has been requested.
- There are a small number of underspends which will return £222k back into capital reserves.
- There is a forecast overspend next year of £690k on the Fairlea and Greenside land slip works due to the complexities of this work.

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. We continue to experience 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 vital that the capital expenditure position is regularly monitored so as to maintain a balanced budget and ensure that the priorities of the Council are being delivered. If there are insufficient capital receipts it will be necessary to review the programme and align so that expenditure doesn't exceed the available resources.

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. We continue to experience delays which have 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 third capital monitoring report for 2019/20, summarising the forecast outturn based on the financial activity to 31 January 2020.
- 1.2 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 £53.793m. There are additional schemes that have been identified as a priority for the Council, and, where available, capital resource has been earmarked against these schemes, which will be added to the Capital Programme and future detailed monitoring reports once satisfactory 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 £22.971m since the start of the financial year. This includes slippage from Q1 2019/20 of £2.468m, Q2 slippage of £22.890m. A full breakdown of the changes can be found in **Appendix 1** of this report.

3. SUMMARY

- 3.1 The current forecast is for service areas to have spent £41.470m on capital investment in 2019/20, which is £12.323m less than the current capital budget for the year. This variation is spread across a number of areas, and is made up of underspends on a number of specific schemes (£0.222m) less the re-phasing of expenditure in some other areas (£12.101m). Proposed re-profiling of £12.101m into the next financial year is identified.
- 3.2 Key messages at period 10 are as follows:
 - £0.199m additional costs have been incurred on Hospital car parking construction due to a change to the planning conditions, resulting in a **total overspend of £0.245m**, it is proposed that the shortfall will be funded from the Operations and Neighbourhoods revenue budget
 - **£0.690m overspend** is forecast to be incurred in 20/21 for Fairlea, Denton and Greenside Lane Droylsden land slip work due to more complexities on the site than originally envisaged.
 - The Tameside Wellness Centre work is nearing early completion and will officially open on the 2 March 2020. The scheme has delivered ahead of programme and within the allocated budget. It is therefore necessary to bring budget forward from 2020/21 of £1.65000m into 2019/20 due to early completion of the project.
 - The Grant Funding Agreement with DCMS for the Tameside funding of £2.5m has now been agreed and signed. Members are asked to approve the inclusion of this scheme and it's funding in the Capital Programme.
 - The £10m Grant Agreement with the Housing Infrastructure Funding (HIF) for the Godley Green Garden Village has now been signed and approved. We are now eligible to claim £0.720m from HIF. Members are asked to approve the addition of the £10m grant to the capital programme.
 - ICT Vision Tameside (Digital Tameside) has come to an end resulting in an underspend of £0.116m, which will be returned to corporate reserves.
 - The Council received £1.5m from the Greater Manchester Combined Authority as a contribution to Vision Tameside. This will reduce the call on corporate reserves for this project.

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

Table 1: CAPITAL MONITORING STATEMENT – JANUARY 2020				
	2019/20 Budget	Actual to 31 January 2020	Projected 2019/20 Outturn	Projected Outturn Variation
	£000	£000	£000	£000
Growth				
Investment & Development	3,575	1,955	3,191	384
Corporate Landlord	277	583	810	0
Estates	50	0	50	0
Operations and Neighbourhoods				
Engineers	12,818	7,037	9,075	3,743
Vision Tameside	3,156	2,381	3,143	13
Environmental Services	1,709	364	877	832
Transport (Fleet)	280	276	280	0
Stronger Communities	27	5	19	8
Children's				
Education	12,486	4,288	5,657	6,829
Finance & IT				
Finance	5,600	0	3,733	1,867
Digital Tameside	3,115	963	2,470	645
Population Health				
Active Tameside	10,360	10,346	12,010	(1,650)
Adults				
Adults	340	41	155	185
Total	53,793	28,239	41,470	12,323

4. CAPITAL RECEIPTS

- 4.1 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.
- 4.2 A reprioritisation exercise was completed in March 2019 and earmarked schemes have been prioritised. There is a current funding gap of £26m (**Appendix 2**), if all earmarked capital schemes were to be progressed, and this gap will increase further if anticipated receipts are not achieved.
- 4.3 Further information on capital receipts can be found in **Appendix 3**.

5. PRUDENTIAL INDICATORS

- 5.1 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.
- 5.2 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.
- 5.3 The latest Prudential Indicators are shown in **Appendix 4**.

6. RECOMMENDATIONS

- 6.1 As set out on the front of the report.