

Southend-on-Sea Borough Council

Report of Corporate Director of Corporate Services
to
Cabinet

on
1st July 2014

Agenda
Item No.

Report prepared by:
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Provisional Capital Outturn 2013/14
Policy and Resources Scrutiny Committee
Executive Councillor: Councillor Woodley
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To inform members of the capital programme outturn for 2013/14 and to seek approval for the relevant budget carry forwards and accelerated delivery requests.
- 1.2 To also seek approval for in year amendments for the current approved programme.

2. Recommendations

That Cabinet:

- 2.1 Note that the expenditure on the capital programme for 2013/14 totalled £42.993m against a budget of £46.120m, a delivery of 93.2% (sections 3.4 and 3.5).
- 2.2 Approve the relevant budget carry forwards and accelerated delivery requests totalling a net £2.746m as set out in Appendices 1 and 2.
- 2.3 Note the virements, reprofiles and amendments and new external funding for schemes, as detailed in Appendices 3, 4 and 5.
- 2.4 Approve the relevant changes to the budget identified since the approved capital programme was set at Council on 27th February 2014, as detailed in Appendix 6.
- 2.5 Note that the above changes will result in an amended Capital Programme of £143.056m for the period 2014/15 to 2017/18 and later years, as detailed in Appendix 7.

3. Background

- 3.1. Throughout the 2013/14 financial year the capital programme has been subjected to robust monitoring to ensure delivery and alignment with corporate priorities. As a result of this monitoring, revisions were made during the year to the capital programme budgets with the agreement of Cabinet. The last revision was made in February 2014 and approved by Council on 27th February 2014.
- 3.2. In addition to the approved capital programme for 2013/14, there were carry forwards from the previous year's programme for schemes nearing completion but not yet finished. As a result of these changes and other amendments agreed during the year by Cabinet the revised Capital Programme differs from the one originally agreed in February 2013 as part of the 2013/14 budget process.
- 3.3. The changes are summarised in the table below.

	£'000
Original Budget February 2013 Council	53,128
June Cabinet adjustment of carry forwards from 2012/13	4,965
Accelerated Delivery of 2013/14 schemes	(769)
Re-profiles, New External funding and other adjustments agreed at June Cabinet	13,915
Re-profiles, New External funding and other adjustments agreed at 5 th November Cabinet	(18,978)
Re-profiles and amendments agreed at 13 th February Cabinet	(6,240)
New external funding agreed at 13 th February Cabinet	99
Revised Capital Programme – 27th February 2014 Council	46,120

Brackets indicate a reduction in budget

- 3.4. Best practice and normal accounting convention requires that the approved Capital Programme includes budgets for all potential capital expenditure. Therefore the Capital Programme contains budgets for schemes such as Section 106 funding where expenditure is contingent on a condition being met, grants that are paid to the Council in full are drawn down over a period of time and schemes managed in partnership or by other bodies, e.g. schools. The summary on the next page shows the actual spend against budget for the different types of schemes.

	Revised Budget £000	Actual £000	Variance £000	% Spent
Adult Social Care	371	314	(57)	85
General Fund Housing	803	787	(16)	98
Culture	14,171	13,284	(887)	94
Schools Capital Schemes	5,939	5,397	(542)	91
Highways and Transport	8,819	8,749	(70)	99
Enterprise, Tourism & Regeneration	140	337	197	241
Public Protection and Waste	1,760	1,120	(640)	64
Section 106 / Section 38	248	136	(112)	55
Accommodation Strategy	1,615	1,959	344	121
ICT Schemes	1,170	1,006	(164)	86
Other Support Services	2,533	1,749	(784)	69
HRA Capital Schemes	8,551	8,155	(396)	95
Total	46,120	42,993	(3,127)	93

Brackets indicate an underspend against budget

- 3.5. The outturn for 2013/14 shows a final spend position of £42.993m against a revised budget of £46.120m, which is a 93.2% outturn position.
- 3.6. The key variances in the table in paragraph 3.4 are as follows:

Culture – various parks schemes were been delayed due to waterlogged conditions, there were final account negotiations pending on other schemes whilst works on other shemes progressed faster than planned. Net budget carry forward, accelerated delivery requests and other budget adjustments of £880k have been put forward as part of this report;

Schools Capital Schemes – see section below (paragraphs 3.16 to 3.19) ;

Enterprise, Tourism & Regeneration – extra works to the infrastructure of the pier were required following the recent winter storms and net budget carry forward, accelerated delivery requests and other budget adjustments of £197k have been put forward as part of this report;

Public Protection and Waste – these projects span financial years so budget carry forward requests of £640k have been put forward as part of this report;

Section 106 / Section 38 – these budgets are for schemes where the expenditure is contingent on a condition being met, net budget carry forward, accelerated delivery requests and other budget adjustments of £110k have been put forward as part of this report;

Accommodation Strategy – due to design issues being resolved ahead of schedule the contractors have been able to advance the programme, and an accelerated delivery budget request of £344k has been put forward as part of this report;

ICT schemes – a number of projects span financial years and there have been delays to some projects whilst others have delivered ahead of schedule, so net budget carry forward, accelerated delivery requests and other budget adjustments of £161k have been put forward as part of this report;

Other Support Services schemes – £445k relates to the Priority Works budget and budget adjustments of £442k have been put forward as part of this report, to allocate this budget to priority works projects. For the Accommodation Review – Queensway House project, the required car park specification value engineering has delayed completion of the project and a carry forward of £265k has been put forward as part of this report;

HRA Capital Schemes – a number of projects span financial years and there have been some delays in finalising contracts, so budget carry forward requests of £392k have been put forward as part of this report.

- 3.7. A range of schemes have been identified that are funded from external contributions and grants. These have been included in the capital programme but there is flexibility in when these schemes are delivered either by the funder determining when it is appropriate or the Council matching delivery to available resources.
- 3.8. In total there are a number of schemes with unspent budgets in 2013/14 where the budget is needed in 2014/15 in order to complete the schemes. These schemes have started but due to various factors have not completed or reached the anticipated stage by the 31st March 2014. These budget commitments total £4.256m and are summarised in Appendix 1.
- 3.9. In addition some schemes have exceeded their 2013/14 budget allocation. The two causes of this are unforeseen costs being incurred or schemes spending ahead of profile in order to accelerate delivery, i.e. multi year schemes being delivered earlier or preliminary works starting on 2014/15 schemes to ensure their prompt completion. The sum of this accelerated delivery totals £1.510m and is analysed in Appendix 2.
- 3.10. Schemes that have exceeded their 2013/14 budget allocation will be financed by compensatory underspending on other schemes and in some cases by extra income received. The net underspend for the whole programme for 2013/14 after carry forward and accelerated delivery requests is £0.381m. This has been adjusted further with budget adjustments of £0.332m with the resulting underspend after all adjustments of £0.049m. A net underspend of £0.004m belongs to the Housing Revenue Account (HRA).

3.11. In summary these adjustments are set out in the following table:

	General Fund £000	Housing Revenue Account £000	Total £000
Net variance	(2,731)	(396)	(3,127)
Carry forward and accelerated delivery requests (Appendices 1 and 2)	2,354	392	2,746
Additional external income received / budget adjustments (Appendix 6)	332	0	332
Adjusted net variance	(45)	(4)	(49)

Brackets indicate an underspend against budget and additional income

3.12. An amended Capital Programme reflecting all the changes above is attached at Appendix 7.

Major schemes in 2013/14

- 3.13 Within the Department for Corporate Services the New Ways of Working programme is a major scheme. Works to the ground floor and public wing are now underway. The registrars and Customer Contact Centre have been temporarily relocated to Margaret Thatcher House with no adverse reaction from customers. The New Server Room was another major scheme which included the construction of a new server and network room and the installation of a power back-up system. The Accommodation Review – Queensway House was another major scheme and during 2013/14 the building was closed, decommissioned and demolished. The site is now a temporary car park with completion of the project expected in August 2014.
- 3.14 Within the Department for People the major schemes are the schools capital schemes which are set out below in paragraphs 3.16 to 3.19, and the Disabled Facilities Grants scheme which relates to adaptations and installation of equipment in the homes of disabled people.
- 3.15 Within the Department for Place the Elmer Square Library (The Forum) is a major scheme. The Forum opened successfully to programme on the 30th September 2013 with an opening lecture by Professor Brian Cox. Other major schemes are as follows: The Western Esplanade Cliffs Stabilisation project was completed and opened on programme. A final settlement was reached regarding the Airport Access Enhancement contribution. The council is now in possession of the Commercial Waste and Recycling Site and plans to develop the site are being progressed. The demolition of the old Waste Transfer Station building was completed and the review of options is nearing completion with the project being taken forward into 2014/15.

Schools Capital Schemes

- 3.16 Expenditure on the education capital programme for 2013/14 was £5.40 million. Of this £2.00 million was to complete projects to provide new pupil places at Blenheim Primary, Darlinghurst Primary, Milton Hall Primary, St Marys Primary and Temple Sutton Primary Schools
- 3.17 £1.61 million was spent on major projects completing in 2014/15 and beyond. These included Porters Grange, Bournemouth Park, St Helens, St Marys, Hamstel Infants and Juniors, Thorpe Greenways Federation and Sacred Heart Primary. These projects are part of the Primary Places Programme (PPP) to expand Primary Schools to meet the demand created by a sustained increase in the birth rate, including the set up and expansion of two year old childcare facilities.
- 3.18 £603,000 was spent on purely condition works that included projects at Chase High School, Temple Sutton Primary, Fairways Primary, Leigh Infant and Leigh North Street Junior, Bournes Green Junior and works to Shoebury Youth Centre. In addition £342,000 was devolved formula capital to maintained schools to manage their own smaller capital works.
- 3.19 A further £841k was spent completing older projects upgrading Chase High School sports field, replacing Kingsdown Special School roof and continuing the purchase of the houses that separate the two Sacred Heart Primary School Buildings.

Capital Financing of the Programme

- 3.20 The capital programme is fully financed. When the budget is set, estimates are made on the likely levels of capital receipt, grant that will be received during the year, the likely level of borrowing required as well as the proposed level of expenditure. As the actual expenditure differs from the proposed budget, the associated financing needs to be amended also to reflect this.

3.21 The capital expenditure in 2013/14 is financed as follows;

	2013/14 Actual (£m)
Total Capital Expenditure	42.993
Financed by:	
Borrowing	14.401
Capital Receipts	74
Capital Grants Utilised	12.048
Revenue/Reserve Contributions	8.189
Other Contributions	8.281
Total Financing	42.993

Other changes to the budget for 2014/15 onwards

3.22 Since the approved capital programme was set at Council on 27th February 2014, there have been some changes to the capital budget. They are not significant in number but are required to provide a continually updated programme to enhance the delivery of schemes, and are therefore detailed in Appendix 6. These changes are reflected in the amended Capital Programme attached at Appendix 7.

3.23 Land to the Rear of 159 Bournemouth Park Road:

Following Planning Consent being received in September 2013, Strategic Housing & Procurement Officers worked with AK Design to prepare a tender document for a Design and Build Project to construct a 3 bedroom house with a budget of £160k. Tender returns from Constructionline were few with the lowest tender being £246k.

It was considered that the quotes received were disproportionate due to using the Constructionline portal and engaging large scale contractors therefore it was agreed that the council progress a Traditional JCT Contract, approach local building companies and extend the programme plan to allow time for an additional tender to be progressed. The lowest tender from local builders was £235k.

An analysis of why quotes for this project have been higher than expected indicates that the lack of economies of scale for single property was the greatest single issue. However other reasons include the push from the Homes and Communities Agency for Registered Provider developers across the South East to begin work on site to conform to their 2011-14 Affordable Housing Programme and the private housing market starting to build again,

resulting in full order book for developers and contractors. Shortages and the associated price increases of building materials are also a factor. Appendix 3 includes the required budget virement of £75,000 to fund the additional sum above the original budget.

3.24 Energy Projects:

Included in this report are two projects to provide a range of energy savings and energy generation equipment.

One of the projects relates to Temple Sutton School to install new double glazed windows, solar PV, biomass boilers, a ground source heat pump to provide heating to the pool, and other energy reduction equipment. Depending on how the council and the school choose to contract the Salix portion of the project, the impact on the capital programme would be either £1.29m or £1.14m. If the school decided to exclude the pool then the impact of the capital programme would be either £1.09m or £0.94m. This report assumes that £1.29m will be required, but the inclusion of this project in the capital programme is subject to the approval of the board of school governors and establishing an agreement to repay the loan to the council under pre-agreed terms. This project would be funded by loans from Salix and PWLB, repaid through revenues generated by the project.

The other project relates to Southend Adult Community College to install solar PV, biomass boilers, and other energy reduction equipment. The impact on the capital programme would be £0.6m but inclusion of this project in the capital programme is subject to the approval of the board of school governors and establishing an agreement to repay the loan to the council under pre-agreed terms. This project would be funded by loans from PWLB, repaid through revenues generated by the project.

4. Other Options

None, as this report provides information about activity in 2013/14.

5. Reasons for Recommendations

This report provides information about activity in 2013/14.

6. Corporate Implications

6.1 Contribution to Council's Vision & Corporate Priorities

When the Capital Programme is determined consideration is given to the alignment of the scheme objectives to the Councils priorities.

6.2 Financial Implications

These are dealt with throughout this report.

6.3 Legal Implications

None, as this report provides information about activity in 2013/14.

6.4 People Implications

None, as this report provides information about activity in 2013/14.

6.5 Property Implications

When the Capital Programme is determined consideration is given to the property implications.

6.6 Consultation

When the Capital Programme is determined consideration is given to consultation.

6.7 Equalities and Diversity Implications

When the Capital Programme is determined consideration is given to Equalities and Diversity Implications.

6.8 Risk Assessment

When the Capital Programme is determined consideration is given to the risk assessment.

6.9 Value for Money

When the Capital Programme is determined consideration is given to the value for money.

6.10 Community Safety Implications

When the Capital Programme is determined consideration is given to community safety implications.

6.11 Environmental Impact

When the Capital Programme is determined consideration is given to the environmental impact.

7. **Background Papers**

None.

8. Appendices

Appendix 1 –Proposed Carry Forwards

Appendix 2 – Proposed Accelerated Delivery Requests

Appendix 3 – Virements Between Approved Schemes

Appendix 4 – Reprofiles

Appendix 5 – New External Funding

Appendix 6 – Summary of Changes to the Capital Programme

Appendix 7 – Amended Capital Programme