

# Southend-on-Sea Borough Council

Agenda  
Item No.

Report of Chief Executive  
to  
Cabinet

on  
20 June 2017

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**Provisional Capital Outturn 2016/17**  
**Policy and Resources Scrutiny Committee**  
**Executive Councillor: Councillor Lamb**  
***A Part 1 Public Agenda Item***

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**1. Purpose of Report**

- 1.1 To inform members of the capital programme outturn for 2016/17 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 2016/17 totalled £48.475m against a budget of £55.114m, a delivery of 88.0% (sections 3.4 and 3.5).**
- 2.2 **Approve the relevant budget carry forwards and accelerated delivery requests totalling a net £5.363m 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 23 February 2017, as detailed in Appendix 6.**
- 2.5 **Note that the above changes will result in an amended Capital Programme of £226.709m for the period 2017/18 to 2020/21, as detailed in Appendix 7.**

### 3. Background

- 3.1. Throughout the 2016/17 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 2017 and approved by Council on 23 February 2017.
- 3.2. In addition to the approved capital programme for 2016/17, 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 2016 as part of the 2016/17 budget process.
- 3.3. The changes are summarised in the table below.

|  | <b>£'000</b>  |
|--|---------------|
| <b>Original Budget February 2016 Council</b>   | <b>73,450</b> |
| June Cabinet adjustment of carry forwards from 2015/16                               | 4,218         |
| Accelerated Delivery of 2016/17 schemes  | (2,807)       |
| Re-profiles, New External funding and other adjustments agreed at 28 June Cabinet    | 1,715         |
| Re-profiles, New External funding and other adjustments agreed at 8 November Cabinet | (10,833)      |
| Re-profiles and amendments agreed at 14 February Cabinet                             | (10,642)      |
| New external funding agreed at 14 February Cabinet                                   | 13            |
|  |               |
| <b>Revised Capital Programme – 23 February 2017 Council</b>                          | <b>55,114</b> |

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.

|                                    | <b>Revised<br/>Budget<br/>£000</b> | <b>Actual<br/>£000</b> | <b>Variance<br/>£000</b> | <b>%<br/>Spent</b> |
|------------------------------------|------------------------------------|------------------------|--------------------------|--------------------|
| Adult Social Care                  | 489                                | 208                    | (281)                    | 42.5               |
| General Fund Housing               | 1,323                              | 1,166                  | (157)                    | 88.1               |
| Schools Capital Schemes            | 12,373                             | 9,153                  | (3,220)                  | 74.0               |
| Culture                            | 1,277                              | 1,256                  | (21)                     | 98.4               |
| Highways and Transport             | 16,606                             | 16,233                 | (373)                    | 97.8               |
| Enterprise, Tourism & Regeneration | 7,632                              | 7,463                  | (169)                    | 97.8               |
| Energy Saving Projects             | 1,408                              | 620                    | (788)                    | 44.0               |
| Section 106 / Section 38           | 643                                | 607                    | (36)                     | 94.4               |
| Works to Property                  | 368                                | 170                    | (198)                    | 46.2               |
| ICT Schemes                        | 4,633                              | 3,877                  | (756)                    | 83.7               |
| Other Chief Executive              | 921                                | 444                    | (477)                    | 48.2               |
| HRA Capital Schemes                | 7,441                              | 7,278                  | (163)                    | 97.8               |
| <b>Total</b>                       | <b>55,114</b>                      | <b>48,475</b>          | <b>(6,639)</b>           | <b>88.0</b>        |

Brackets indicate an underspend against budget

- 3.5. The outturn for 2016/17 shows a final spend position of £48.475m against a revised budget of £55.114m, which is an 88.0% outturn position.
- 3.6. The key variances in the table in paragraph 3.4 are as follows:

Adult Social Care – £281k has been put forward as a carry forward request as part of this report, £163k of this is due to the review of the option appraisal for the use of the Transforming Care Housing grant.

Schools Capital Schemes – these are set out below in paragraphs 3.17 to 3.21.

Highways and Transport – a number of projects funded by the Local Transport Plan and the Local Growth Fund span financial years and there have been delays to some projects whilst others have delivered ahead of schedule. The timing of completion of these projects is heavily dependent on the weather conditions, the result of survey works and the timing of works to minimise disruption. Net budget carry forward, accelerated delivery requests and other budget adjustment for highways and transport of £365k have been put forward as part of this report;

Energy Saving Projects – the energy projects are underway with some projects spanning financial years. A review of the energy budgets identified that £623k of the budget for the Beecroft Energy scheme was no longer required and its removal has been put forward as part of this report;

Works to Property - some projects were delayed due to developer and tenant negotiations and legal or survey processes. Net budget carry forward and accelerated delivery requests of £198k have 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 £(788)k have been put forward as part of this report. £451k of the overall ICT underspend relates to the development of the Liquid Logic Case Management System with the go-live expected now in 2017/18;

Other Chief Executive – completion of the Pergola Walk Extension scheme is scheduled for completion at the end of June 2017. The removal of the unallocated balance on the Priority Works budget of £136k has been put forward as part of this report. Other net budget carry forward, accelerated delivery requests and other budget adjustments of £(341)k have also 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 2016/17 where the budget is needed in 2017/18 in order to complete the schemes. These schemes have started and/or are fully committed to but due to various factors have not completed or reached the anticipated stage by the 31st March 2017. These budget commitments total £6.454m and are summarised in Appendix 1.
- 3.9. In addition, some schemes have exceeded their 2016/17 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 2017/18 schemes to ensure their prompt completion. The sum of this accelerated delivery totals £1.091m and is analysed in Appendix 2.
- 3.10. Schemes that have exceeded their 2016/17 budget allocation will be financed by compensatory under spending on other schemes. The net underspend for the whole programme for 2016/17 after carry forward and accelerated delivery requests is £1.276m. This has been adjusted further with budget adjustments of £1.550m with the resulting overspend after all adjustments of £0.274m.

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

|  | <b>General Fund<br/>£000</b> | <b>Housing Revenue Account<br/>£000</b> | <b>Total<br/>£000</b> |
|--|------------------------------|---|-----------------------|
| Net variance   | (6,476)                      | (163)                                   | (6,639)               |
| Net position of carry forward and accelerated delivery requests (Appendices 1 and 2) | 5,198                        | 165                                     | 5,363                 |
| Variance after carry forwards and accelerated delivery requests                      | (1,278)                      | 2                                       | (1,276)               |
| Additional budget adjustments (Appendix 6)   | 1,550                        | -                                       | 1,550                 |
| Adjusted net variance  | 272                          | 2                                       | 274                   |

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 2016/17 continuing into 2017/18 and future years**

- 3.13 Within the Department for People the major schemes are the schools capital schemes which are set out below in paragraphs 3.17 to 3.21, and the Disabled Facilities Grants scheme which relates to adaptations and installation of equipment in the homes of disabled people.
- 3.14 Within the Department for Place the LED street lighting project is a major scheme to replace the street lighting lanterns within Southend with LED units, to replace many street lighting columns, to bring all the illuminated street furniture in line with proposed new traffic sign regulations and to introduce a computer controlled Central Management System to manage the street lighting efficiently.
- 3.15 Another major scheme within the Department for Place is the A127 Growth Corridor with is a joint project with Essex County Council to deliver improvements along the A127. Specifically within Southend this includes the junction at Kent Elms.
- 3.16 Also within the Department for Place the Airport Business Park is a major scheme to transform an area of land into a new business park, bringing in private sector investment and generating new jobs. The infrastructure works have commenced and will continue into 2017/18. Additionally, there is the Better Queensway regeneration scheme.

## **Schools Capital Schemes**

- 3.17 Expenditure on the education capital programme for 2016/17 was £9.15 million. Of this £1.07million was to complete projects to provide new pupil places at Sacred Heart, St Helen's and St Mary's Primary Schools and the Federation of Greenways Schools. £6.9million was spent on improvements to the provision of new secondary school places and improvements to special education accommodation.
- 3.18 The Primary Places Programme (PPP) to expand primary schools to meet the demand created by a sustained increase in the birth rates is now completed. A programme to expand secondary schools to meet the demand that the primary expansions will create is now underway. The set up and expansion of two year old childcare facilities is still on-going.
- 3.19 The secondary expansion programme is a multi-year programme that started in 2016/17 with a first year spend of £6.9million. Purchase of two properties are included within the programme. One property has been purchased and the funds transferred. The second property is in the final stages of the acquisition and this will now occur in 2017/18 and reflects the majority of the underspend for 2016/17. Purchase of these properties show a significant cost saving against purchase of land and construction of new buildings.
- 3.20 £0.99million was spent purely on condition works that included projects at Bournes Green Junior, Earls Hall Primary, Edwards Hall Primary and Friars Primary to meet commitments made within the programme before they converted to academy status. In addition £288k was devolved as formula capital to the maintained schools to manage their own smaller capital works.
- 3.21 Much of the schools capital programme scheme involves multi-year projects. Net budget carry forward, accelerated delivery requests and other budget adjustments of £3.15m have been put forward as part of this report.

## **Capital Financing of the Programme**

- 3.22 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.

3.23 The capital expenditure in 2016/17 is financed as follows;

|   | <b>2016/17<br/>Actual<br/>(£m)</b> |
|---|------------------------------------|
| <b>Total Capital Expenditure</b>                    | <b>48.475</b>                      |
| <b>Financed by:</b>                                 |                                    |
| <b>Borrowing – internal</b>                         | <b>17.070</b>                      |
| <b>Invest to Save Financing</b>                     | <b>4.333</b>                       |
| <b>Capital Receipts</b>                             | <b>0.716</b>                       |
| <b>Capital Grants Utilised</b>                      | <b>17.376</b>                      |
| <b>Major Repairs Reserve</b>                        | <b>4.641</b>                       |
| <b>Other Revenue/ Capital Reserve Contributions</b> | <b>3.547</b>                       |
| <b>Other Contributions</b>                          | <b>0.792</b>                       |
| <b>Total Financing</b>                              | <b>48.475</b>                      |

#### **Other changes to the budget for 2017/18 onwards**

3.24 Since the approved capital programme was set at Council on 23 February 2017, 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.

3.25 Removal of budgets no longer required is requested for schemes such as the unallocated Priority Works budget, the part of the Beecroft Energy Scheme identified as not required following a review of the energy budgets, some schools budgets where the works have been completed under budget and schools refurbishment budgets following a review in light of the Government capital funding announcements.

#### **4. Other Options**

4.1 None, as this report provides information about activity in 2016/17.

#### **5. Reasons for Recommendations**

5.1 This report provides information about activity in 2016/17.

#### **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 2016/17.

## 6.4 People Implications

None, as this report provides information about activity in 2016/17.

## 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