

Southend-on-Sea Borough Council

Agenda
Item No.

Report of Chief Executive
to

Cabinet

on
19 June 2018

Report prepared by: Joe Chesterton
Director of Finance and Resources

Provisional Capital Outturn 2017/18
Policy and Resources Scrutiny Committee
Cabinet Member: Councillor John Lamb
A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To inform members of the capital programme outturn for 2017/18 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 2017/18 totalled £60.996m against a budget of £64.324m, a delivery of 94.8% (sections 3.4 and 3.5).**
- 2.2 **Approve the relevant budget carry forwards and accelerated delivery requests totalling a net £4.206m moving into 2018/19, 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 22 February 2018, as detailed in Appendix 6.**
- 2.5 **Note that the above changes will result in an amended Capital Programme of £214.971m for the period 2018/19 to 2021/22, as detailed in Appendix 7.**

- 2.6 Note the content of the Community Infrastructure Levy (CIL) Annual Financial Report 2017/18 (included in Appendix 8), and agree to carry forward CIL Main Fund receipts from 2017/18 and previous financial years until spending plans are reviewed early 2019/20.
- 2.7 Delegate authority to the Deputy Chief Executive (Place) (in consultation with Ward Members and the Executive Councillor for Growth) to agree how the Ward Neighbourhood Allocations received up until 31st March 2018 (excluding allocation to Leigh Town Council) are to be spent.

3 Background

- 3.1. Throughout the 2017/18 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 2018 and approved by Council on 22 February 2018.
- 3.2. In addition to the approved capital programme for 2017/18, 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 2017 as part of the 2017/18 budget process.
- 3.3. The changes are summarised in the table below.

	£'000
Original Budget February 2017 Council	76,732
June Cabinet adjustment of carry forwards from 2016/17	7,040
Accelerated Delivery of 2017/18 schemes	(856)
Re-profiles, New External funding and other adjustments agreed at 20 June Cabinet	12,655
Re-profiles, New External funding and other adjustments agreed at 7 November Cabinet	(28,998)
Re-profiles, New External funding and amendments agreed at 13 February Cabinet	(2,249)
Revised Capital Programme – 22 February 2018 Council	64,324

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 along with the outcomes delivered from the capital investment.

Scheme areas	Revised Budget £000	Actual £000	Variance £000	% Spent	Outcomes
Adult Social Care	697	515	(182)	73.9	Consultancy and planning to enable a new care home and day centre, programmes to increase community capacity
General Fund Housing	1,510	1,129	(381)	74.8	Adaptations and installation of equipment in homes of disabled adults and children to better enable them to live at home
Schools Capital Schemes	5,502	6,633	1,131	120.6	Expansion schemes at 7 secondary schools to provide more places and improve educational outcomes
Culture	1,872	1,692	(180)	90.4	Property refurbishment programme to prevent deterioration and improve the customer experience, technical design for new museum to progress the gateway review
Highways and Transport	12,921	12,331	(590)	95.4	Upgrade of street lighting to LEDs to save energy and to support community safety, improvements to the highway network and the Kent Elms junction to improve traffic flow and ease congestion and air pollution
Enterprise, Tourism & Regeneration	6,291	4,184	(2,107)	66.5	Infrastructure works to enable the Airport Business Park, consultation, planning and design to progress Better Queensway, works to the pier to prevent deterioration and improve the customer experience
Energy Saving Projects	385	307	(78)	79.7	Combined heating and power system at Beecroft Gallery to improve energy efficiency and the customer experience
Section 106 / Section 38 / CIL	525	176	(349)	33.5	Agreed outcomes of planning and highways agreements
Works to Property	1,429	1,228	(201)	85.9	Upgrades to the website to enable customers to 'self-serve', Pergola Walk Memorial at cemetery and 8 new beach huts built to generate income
South Essex College	3,500	3,500	0	100.0	Loan to enable them to purchase property to enhance their training offering to adults
Property Investment	20,000	20,005	5	100.0	Acquisitions to achieve future income stream and future development opportunities.
ICT Schemes	3,137	3,079	(58)	98.2	Development of case management system for childrens and adults, enhancements to further enable mobile working and increase security
HRA Capital Schemes	6,555	6,217	(338)	94.8	Refurbishment of Council Dwellings to maintain Decent Homes standards, purchase of properties to support housing strategy
Total	64,324	60,996	(3,328)	94.8	

Brackets indicate an underspend against budget

- 3.5. The outturn for 2017/18 shows a final spend position of £60.996m against a revised budget of £64.324m, which is an 94.8% outturn position.
- 3.6. The key variances in the table in paragraph 3.4 are as follows:
- General Fund Housing – £379k has been put forward as a carry forward request as part of this report as these are multi-year schemes.
- Schools Capital Schemes – these are set out below in paragraphs 3.18 to 3.22.
- 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 £591k have been put forward as part of this report;
- Enterprise, Tourism and Regeneration – a number of pier projects span financial years and there have been delays in some projects due to weather conditions and procurement issues whilst others have delivered ahead of schedule. Procurement processes have also delayed the Airport Business Park scheme. Net budget carry forward, accelerated delivery requests and other budget adjustment for highways and transport of £2,099k have been put forward as part of this report;
- HRA schemes – the Decent Homes programme is a multi-year scheme and net budget carry forward, accelerated delivery requests and other budget adjustments of £336k 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 2017/18 where the budget is needed in 2018/19 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 2018. These budget commitments total £6.923m and are summarised in Appendix 1.
- 3.9. In addition, some schemes have exceeded their 2017/18 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 2018/19 schemes to ensure their prompt completion. The sum of this accelerated delivery totals £2.717m and is analysed in Appendix 2.

- 3.10. Schemes that have exceeded their 2017/18 budget allocation will be financed by compensatory under spending on other schemes. The net overspend for the whole programme for 2017/18 after carry forward, accelerated delivery requests and budget adjustments have been taken into account is £0.259m.
- 3.11. In summary these adjustments are set out in the following table:

	General Fund £000	Housing Revenue Account £000	Total £000
Net variance	(2,990)	(338)	(3,328)
Net position of carry forward and accelerated delivery requests (Appendices 1 and 2)	3,243	963	4,206
Variance after carry forwards and accelerated delivery requests	253	625	878
Additional budget adjustments (Appendix 6)	(8)	627	619
Adjusted net variance	261	(2)	259

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 2017/18 continuing into 2018/19 and future years

- 3.13 Within the Department of the Chief Executive the major schemes are the reconstruction and enhancement of the Library Car Park and Commercial Property investment for income generation.
- 3.14 Within the Department for People the major schemes are the schools capital schemes which are set out below in paragraphs 3.18 to 3.22, the Delaware and Priory scheme to enable a new care home and day centre 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 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 are underway and will continue into 2018/19.
- 3.16 Other major schemes within the Department for Place relate to highways and transport for the A127 Growth Corridor, Local Transport Plan schemes and the Southend Central Area Action Plan (SCAAP).
- 3.17 Additionally, there is the Better Queensway regeneration scheme for which the procurement process is currently underway with competitive dialogue taking

place over the summer, the Gateway Review for the new museum and the Forum II scheme match funding Local Growth Fund monies.

Schools Capital Schemes

- 3.18 Expenditure on the education capital programme for 2017/18 was £6.63million. Of this, £5.8million was spent on improvements to the provision of new secondary school places and improvements to special education accommodation. £9.3k was to complete projects to provide new primary pupil places and Sacred Heart and St Helens.
- 3.19 A set up and expansion of two year old childcare facilities is still on and is for private providers to bid for it if they are able to upgrade their facilities to take two year old nursery pupils who qualify for a free place. An additional Early Year grant of £536k has been awarded to upgrade accommodation of one private nursery and the nursery provision at Edwards Hall Primary School. The grant also covered a replacement building for the private nursery at the Renown in Shoeburyness as their current building is due for demolition.
- 3.20 The programme to expand secondary schools is now underway. It is a multi-year programme which started in 2016/17 with spend of £5.78m in 2017/18.
- 3.21 £0.462million was spend purely on condition works that included projects at 11 schools including Bournes Green Junior, Chalkwell Hall Infants, Earls Hall Primary, Leigh North Street Primary, Richmond Primary and St Nicholas Special School. In addition £172k was devolved as formula capital to the maintained schools to manage their own smaller capital works.
- 3.22 Much of the schools capital programme scheme involves multi-year projects. Net budget carry forward, accelerated delivery requests and other budget adjustments of £1.143m have been put forward as part of this report.

Capital Financing of the Programme

- 3.23 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.

3.24 The capital expenditure in 2017/18 is financed as follows;

	2017/18 Actual (£m)
Total Capital Expenditure	60.996
Financed by:	
Borrowing – internal	20.332
Invest to Save Financing	15.471
Capital Receipts	736
Capital Grants Utilised	12.541
Major Repairs Reserve	4.540
Other Revenue/ Capital Reserve Contributions	5.254
Other Contributions	2.122
Total Financing	60.996

Other changes to the budget for 2018/19 onwards

3.25 Since the approved capital programme was set at Council on 22 February 2018, 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.

3.26 Removal of budgets no longer required is requested for schemes such as the unallocated Priority Works budget, some schools budgets where the works have been completed under budget and HRA Environmental Health and Safety works where it has been identified that the budget is not required.

Community Infrastructure Levy (CIL) annual report 2017/18

3.27 Attached as Appendix 8 is the CIL Annual Financial Report for 2017/18 (including Leigh Town Council's Report for 2016/17). CIL receipts for 2017/18 included:

- £240,312.69 in the CIL Main Fund;
- £15,019.54 (5% of total receipts) towards administrative expenses associated with CIL;
- £45,058.63 (15% of total receipts) as total Neighbourhood Allocations.

£19,591.90 of the Neighbourhood Allocation is to be transferred to Leigh Town Council as their Neighbourhood Allocation (15% of total receipts within their

boundary) and 15% of the CIL receipts within each ward will remain with the Council to be spent by Ward Members in accordance with the CIL Governance Framework (total for 2017/18 is £25,466.73).

- 3.28 The Council commenced CIL charging in July 2015 and as at 31st March 2018 there was £430,881.46 in the CIL Main Fund. These funds, which are to be spent on strategic infrastructure to support growth, have been carried forward to date. Although significantly greater CIL income has been received in 2017/18 in comparison to previous financial years (a continuing trend), the amount currently in the CIL Main Fund is relatively small in the context of the funding likely to be required for strategic infrastructure projects that support new development within the Borough, particularly housing. Therefore, it is considered appropriate to continue to carry forward the CIL Main Fund at this time with spending plans to be reviewed early 2019/20 taking into account receipts from the current financial year.

4. Other Options

- 4.1 None, as this report provides information about activity in 2017/18.

5. Reasons for Recommendations

- 5.1 This report provides information about activity in 2017/18.

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 Council's 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 2017/18.

- 6.4 People Implications

None, as this report provides information about activity in 2017/18.

- 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

Appendix 8 – Community Infrastructure Levy (CIL) Annual Financial Report
2017/18