



Derby City Council

COUNCIL CABINET
10 February 2016

Report of the Cabinet Member for Strategy & Policy

ITEM 18

Quarter 3 Capital Budget Monitoring 2015/16 – 2017/18

SUMMARY

- 1.1 This report provides details of the revised financial position for the 2015/16 Capital Budget for Quarter 3 together with a comparison of the previously reported quarter 1 and 2 positions as well as actual spend to date. This is in line with the agreed strategy of reporting capital monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 1.2 The report highlights a Capital programme of £78,235,410 for 2015/2016, after reflecting revisions to the Capital programme of (£6,586,500) and accounting for the over programming necessary at the time of setting the budget. The changes required are shown in table 1 of section 4 and detailed in Appendix 2. Significant changes over £200,000 are also detailed by strategy area and scheme in section 4.
- 1.3 A revised indicative programme for 2016/17 – 2018/19 summarised in table 2 paragraph 4.16 and detailed in Appendix 3.
- 1.4 A revised funding position is shown in Appendix 4 and detailed in section 5.
- 1.5 Details of additional S106 required to be added to the 2014/15 – 2016/17 capital programme are detailed in paragraph 5.2.
- 1.6 A commentary on performance for those areas with larger movement between original programme and revised programme quarter 3 detailed in section 6.

RECOMMENDATION

- 2.1 To approve the changes and additions required to the 2015/16 capital programme as detailed in Appendix 2.
- 2.2 To note the revised programme for 2015/16 in table 1 and the revised indicative programme for 2015/16-2016/17 as shown in table 2 and detailed in Appendix 3.
- 2.3 To note the changes to 2015/16 capital funding as detailed in Appendix 4 and Section 5.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's revised capital programme as at Quarter 3.
- 3.2 To comply with the agreed strategy of reporting capital budget monitoring figures on a monthly basis to Chief Officer Group and on a quarterly basis to Cabinet for approval and action as necessary.
- 3.3 To comply with the Council's Contract and Financial Procedure rules regarding approval for proposed changes to the capital programme.



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Report of the Chief Executive

SUPPORTING INFORMATION

4 UPDATE ON CAPITAL BUDGET 2015/16

- 4.1 The latest capital programme totals £78,235,410 for 2015/16 which includes revisions of (£6,586,500) since the last reported position at October Cabinet. This gives a variance to the original indicative programme of (£25,002) and is mainly due to reprofiling of schemes across future years and reductions made to the 2015/16 programme during the current Medium Term Financial Plan setting approved at 20 January 2016 Cabinet.
- 4.2 The capital programme consists of a number of capital schemes across 11 programme areas. The programme is currently on target to deliver the schemes on time and within budget in accordance with the revised position stated in 4.1.
- 4.3 Table 1 provides a summary of the revised capital programme with changes totalling (£6,586,500). The quarter 2 position of £88,723,000 forms the baseline on which the 2015/16 outturn position will be performance measured. In addition Table 1 shows a comparison of the previous quarters forecast spend for the August and November cabinets along with the actual spend to date.
- 4.4 Actual spend to date is £49,524 against a revised programme of £78,235 which equates to 63.3% of the programme spent to date and a variance of £53,713 compared to the original programme of £103,237.

Table 1: Summary of Revised Capital Programme

Strategy Area	Original programme 2015/16 £000s	Quarter 1 Forecast 5 Aug Cabinet £000	Quarter 2 Forecast 11 Nov Cabinet £000	Revised Capital Programme Quarter 3 £000s	Actual as at 19/01/16 £000
Schools	10,945	7,219	7,684	7,732	5,376
Highways and Transport	4,109	4,549	4,810	4,415	1,939
Property Improvement	2,021	2,735	2,941	2,089	767
Property Maintenance and Refurbishment	5,651	3,392	3,392	2,385	1,010
Parks & Open Spaces	1,265	1,929	1,974	1,974	1,729
Vehicles Plant and Equipment	2,769	2,857	2,134	2,164	201
Flood defence	19,490	7,966	8,078	3,549	1,291
Regeneration	35,010	34,683	33,777	30,371	22,084
Housing General Fund	5,080	2,218	2,280	2,415	1,226
HRA	19,316	19,136	19,985	18,965	12,861
ICT	2,328	2,580	1,826	1,876	1,038
Contingency	0	1,100	1,100	1,100	0
Sub Total	107,984	90,363	89,981	79,035	49,524
Less Schools Devolved		(526)	(800)	(800)	0
Less assumed capital slippage	(4,747)	(458)	(458)	0	0
Total Programme	103,237	89,379	88,723	78,235	49,524

4.5 Forecast Spend 2015/16

Details of the changes are shown in Appendix 2 with a summary of those changes over £200,000 highlighted below.

4.6 Schools

The schools capital programme requires a net reduction of £29,000 as detailed in Appendix 2. There are no significant changes over £200,000.

4.7 Highways and Transport

The Highways and Transport capital programme requires a net reduction of £263,500 as detailed in Appendix 2. A summary of the significant changes are included below

- £305,000 slippage to 2016/17 for Structures Maintenance due to significant staffing resource issues. Additional priority projects including those shown below have required diversion of staff from the original programme. Therefore slippage request required to complete the scheme.

Queens Street leisure centre roof failure
Derwent Street underpass vehicle strikes
T12 bridge structures & protection measures for Statutory Undertakings.

4.8 Property Improvement

The Property Improvement capital programme requires a net reduction of £749,000 as detailed in Appendix 2. A summary of the significant changes are included below:

- £316,000 slippage to 2016/17 for the property rationalisation programme. This capital budget has remained on the capital programme and was due to be allocated to property rationalisation capital projects as and when they arose. The budget has only recently been allocated to a project at Kedleston Road Training Centre (Major Refurbishment). Scheme implementation will not proceed until the 2016/17 therefore this budget has been slipped.

4.9 Property Maintenance and Refurbishment

The Property Maintenance capital programme requires a net reduction of £679,000 as detailed in Appendix 2. There are no significant changes over £200,000 however the changes detailed in Appendix 2 are largely due to projects scheduled to be completed shortly after the end of March. In addition procurement issues and rationalisation decisions have also contributed to the slippage of projects.

4.10 Parks and Open Spaces

The Parks and Open Spaces capital programme requires no changes.

4.11 Vehicles Plant and Equipment

The Vehicles Plant and Equipment capital programme requires a net increase of £15,000 as detailed in Appendix 2. There are no significant changes over £200,000.

4.12 Flood Defence

The Flood Defence capital programme requires net reduction of £1,440,000. This is due to slippage on the Our City Our River project because of the delay to the project securing planning permission. This delayed the start of the construction works. The £1.4m is comprised of approximately £1m of contingency /risk and the remainder is value of works.

4.13 Regeneration

The Regeneration capital programme requires net changes totalling a reduction of £2,976,000 as detailed in Appendix 2. A summary of the significant changes are included below ...

- £530,000 slippage to 2016/17 for the Infinity Park Derby (IPD) Accelerated development risk provision(contingency) this is to fund landscaping work in the Spring as part of Infinity Park Derby, and work delayed as a consequence of satisfying planning conditions and agreeing/implementing signage and artwork proposals with the Council's developer partners. In addition the Innovation Centre programme has been delayed due to issues with securing utilities provision on site which is having a knock on effect on commissioning and handover of the building.
- £320,000 slippage to 2016/17 for the City Living project. This is a demand led scheme dependent on third party delivery. There is one major scheme in contract and on site, however the start of this scheme was delayed due to a prolonged due diligence process, which was prolonged. The delivery model proposed by the applicant was complex and required further lengthy legal considerations.
- £844,000 slippage to 2016/17 for the Derbyshire County Cricket Club loan. The re-profile is due to a delayed start to the project, mainly due to late changes to the scheme by the Cricket Club. This prompted further due diligence and consideration by Members and has also meant a further procurement exercise by the Cricket Club.
- £1,000,000 slippage to 2016/17 for the Derbyshire Enterprise Growth Fund (DEGF) scheme. The re-profiling of £1m to 2016/17 reflects the current profile of projects and likely drawdown from applicants.

4.14 Housing General Fund

The Housing General Fund capital programme requires a net reduction of £15,000 as detailed in Appendix 2. There are no significant changes over £200,000.

4.15 HRA

The HRA capital programme requires net changes totalling a net reduction of £400,000 as detailed in Appendix 2. A summary of the significant changes are included below ...

- £200,000 slippage to 2016/17 for the Ashlea new build scheme due to the Council having to guarantee more effective project management arrangements to ensure delivery of the scheme and to comply with Construction, Design & Management regulations.
- £200,000 reduction in the new build programme due to a specialist acquisition (clients with complex needs) not proceeding. Acquisition programme now under review pending the HRA business plan approval.

4.16 ICT

The ICT capital programme requires a net reduction of £50,000 in 2015/16 as detailed in Appendix 2. There are no significant changes over £200,000.

4.17 **Revised Programme 2015/16- 2017/18**

Table 2 shows a summary of the revised 2015/16 – 2017/18 programmes approved at 20th January Cabinet incorporating the changes from above and is detailed in Appendix 3.

Table 2 Revised Indicative programme 2015/16 – 2017/18

Strategy Area	2015/16 £000	2016/17 £000	2017/18 £000
Programme Sub-Total	79,035	112,661	50,493
Less devolved formula	(800)	0	0
Less assumed capital slippage	0	0	0
Total Programme	78,235	112,661	50,493

5. **Capital Funding**

- 5.1 Appendix 4 provides a revised funding position for the 2015/16 capital programme to take account of the changes detailed above. Changes in the revised funding position include:

Supported Capital Expenditure (Capital)

The reduction in the SCE C is mainly due to the slippage on the regeneration programme.

Corporate Borrowing

The reduction in the corporate borrowing is mainly due to the slippage on the OCOR, the cricket club loan, property rationalisation scheme and some of the other regeneration slippage.

Borrowing Service Financed

The reduction in the service financed borrowing is due to the slippage on the city living project and the energy efficiency project.

Government Grants

The reduction in government grants is mainly due to slippage in the property maintenance programme for the energy efficiency scheme and Milestone house scheme.

Major Repairs Allowances - MRA

The reduction in the MRA is due to the slippage on the HRA new build programme.

External Contributions

The reduction in external contributions is due to the slippage on the DEGF scheme.

5.2 **S106 Contributions**

It was agreed through the S106 working group that any allocation of S106 monies would be reported to Cabinet during the year to inform members what specific contributions are intended to be used for. Any in- year allocations are generally reported through the monthly Contract and Financial Procedures Matters reports, and quarterly Capital Monitoring reports, as they arise. There are no new allocations to report this quarter.

6. Performance to Original Programme

The following section details areas where forecast spend has significantly reduced from the Capital Programme presented in February 2015 and the reasons for this.

6.1 Housing General Fund

The original Programme of £5,080,000 included £1.5m for Abbots Hill Chambers and £1,300,000 for the Extra Care project.

- £1,500,000 was removed from the Programme early in the year following the removal of the Abbots Hill Chambers project. It was originally anticipated that the Council would contribute towards this private developer led scheme. However as the project progressed, the developer decided to look into alternative financing options.
- £1,300,000 was removed from the programme at the start of the financial year through the removal of the Extra Care Project. This budget was originally included in the Programme in the anticipation that a number of capital projects may have materialised over the year. However a decision was made early in the year to remove it from the programme until specific projects were identified.

6.2 Flood defence

For 2015/16 just over £19,000,000 of Growth Point funding was approved at the February 2015 Cabinet for the Our City Our River (OCOR) project. At that stage in the project, the budget had not been profiled over the construction programme. The £19,000,000 was then subsequently re-profiled, reducing the 2015/16 budget to approximately £8,000,000 with the remainder profiled over future years. Slippage has been experienced on the Our City Our River project this financial year because of the delay to the project securing planning permission. This has delayed the start of the construction works.

6.3 Schools

The 2015/16 capital programme approved at February 2015 Cabinet, of £10,945,000 was based on indicative DfE allocations as the actual allocations are not known this early in the year. The detailed of the programme therefore had not been confirmed.

- The initial 15/16 Capital Programme was based on an assumed DfE School Basic Need Allocation of £3,150,000 in 15/16. However, the DfE subsequently confirmed a Basic Need allocation of £5,450,000, which was to be phased over a number of years, with £850,000 allocated in 15/16 and higher allocations in future years. The 15/16 allocation was then further profiled as £40,000 in 15/16 when the Schools capital programme was reported to Cabinet in March 2015 following the DfE announcements. This therefore accounts for £3,110,000 of the budget variance.
- Likewise, the initial Council Capital Programme was based on an assumed allocation of £3,000,000 for School Condition/Maintenance works. Subsequently the DfE confirmed the 15/16 allocation as £2,600,000, this therefore accounts for a further £400,000 of the variance.

During the course of the year there have also been a number of other budget variances, including, £700,000 spend brought forward at 14/15 year end for the Osmaston Primary school major capital scheme completing ahead of programme.

6.4 Property Maintenance and Refurbishment

At the point of the February 2015 Capital programme report to Cabinet, the detail of the Property Programme had not been agreed. The Property Capital programme report was approved at March 2015 Cabinet with a proposed programme of £3,374,000. The variance of £2,277,000 from the Feb Cabinet (of £5,651,000) was profiled over the subsequent years to ensure sufficient budget to manage and maintain the Councils buildings whilst the Property Rationalisation Programme is implemented.

Nearly £1,000,000 of the £3,374,000 original Property Maintenance and Refurbishment programme budget has been slipped over the year, predominantly due to being unable to progress certain projects due to awaiting outcomes of the Property Rationalisation process and the budget consultation. It would not have been efficient use of the Councils resources to progress expensive maintenance or refurbishment schemes on buildings that we may be disposed of through the rationalisation process. Projects with a high health and safety or compliance risk have been progressed.

OTHER OPTIONS CONSIDERED

7.1 None

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Toni Nash – Head of Finance Governance and Organisation Martyn Marples – Director of Finance & Procurement
For more information contact: Background papers: List of appendices:	Nicola Goodacre 01332 643352 e-mail nicola.goodacre@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Summary of further changes to the capital programme 2015/16 Appendix 3 - Revised Programme 2015/16 – 2017/18 Appendix 4 – Revised Funding position 2015/16

IMPLICATIONS

Financial and Value for Money

- 1.1 As detailed in the report.

Legal

- 2.1 Under Section 28 of the Local Government Act 2003 the Council must review its performance against budget and, if there has been deterioration in its financial position, must take appropriate action to deal with the situation.

Personnel

- 3.1 None directly arising.

IT

- 4.1 None directly arising.

Equalities Impact

- 5.1 It is important that any regeneration and maintenance schemes, including schools, in the city liaise closely with the Disabled People's Diversity Forum and the Lead on Equality and Diversity to make sure access for disabled people is built in at the design stage to save costs later on.

Health and Safety

- 6.1 None directly arising.

Environmental Sustainability

- 7.1 None directly arising.

Property and Asset Management

- 8.1 None directly arising.

Risk Management

- 9.1 All projects are run using the Prince 2 methodology and carry individual risk registers. All risk implications are reported and monitored on a monthly basis at the Strategic Asset Management Board.

Corporate objectives and priorities for change

- 10.1 These recommendations where relevant are in line with approved capital strategy

and Asset Management Plans which accord with the Council's corporate priorities.

Appendix 2

Summary of further changes to the capital programme 2015/2016	Latest Approved Capital Programme 2015/16 £000	Revised Capital Programme 2015/16 £000	Change £000	Category
Schools				
Littleover Secondary School	1	30	29	S
Silverhill Primary	0	2	2	S
Chesapeake 2 Year Old Nursery Provision	60	0	(60)	S
Total Schools	61	32	(29)	
Highways & Transport				
Structures Maintenance	543	239	(305)	S
Smarter Choices	41	85	44	A
Local Traffic Management	444	441	(3)	R2
Strategic Network Management	158	161	3	R2
Total Changes to the Highways and Transport Programme	1,186	926	(261)	
Property Improvement				
Connecting Derby / Integrated Transport including maintenance	164	81	(83)	S
Coronation Avenue - New Children's Centre	1224	1153	(71)	S
Queensferry Gardens Childrens Centre Refurbishment	43	15	(28)	S
Property Rationalisation	671	355	(316)	S
Riverlights	162	106	(56)	R3
Museums Major Projects (Silk Mill)	175	0	(175)	S
Accommodation Strategy	26	6	(20)	S

Total Changes to Property Improvement Programme	2,465	1,716	(749)	
Property Maintenance				
Lift refurbishment / replacement - Guildhall	56	0	(56)	S
In year priorities to be identified	38	132	94	R3 (£56k), R2 (£38k)
Bramblebrook Community Centre - Roof repairs	80	50	(30)	R2
Royal Oak House	0	28	28	R2
Preliminary Design - DDA	10	3	(8)	R2
Museum and Art Gallery Heating Replacement, Ventilation and Air Conditioning	40	30	(10)	R2
Guildhall Fire Risk Assessment and Health & Safety Works	150	50	(100)	S
Perth House Fire Precaution Works	284	175	(109)	R2
Warwick House Fire Precaution Works	153	187	34	R2
Markeaton Park - Repairs to Pirate Ship	50	0	(50)	S
Milestone House - creation of 7 additional bed spaces	95	45	(50)	S
Energy efficiency projects – Homes for Older Persons	285	92	(193)	S
Energy efficiency projects - Multi Storey Car Parks	110	0	(110)	S
Various Fire Risk Assessment projects	374	451	77	R2
Lift Refurbishment/ Replacement- Warwick House	50	30	(20)	R2
Lift Refurbishment/Replacement- Assembly room car park lift	144	0	(144)	S
Lift Refurbishment/ Replacement- Market Hall	32	0	(32)	S
Total Changes to the Property Maintenance Programme	1,951	1,272	(679)	
Vehicles Plant				
Street Cleaning	0	15	15	R2
Total Changes to the Vehicles plant and Equipment Programme	0	15	15	
Flood Defence				
Our City Our River Project	4,581	3,141	(1,440)	S

Total Changes to the Flood Defence Programme	4,581	3,141	(1,440)	
Regeneration				
St Peter's Cross	30	15	(15)	S
Vibrant City Placemaking	120	25	(95)	S
Marble Hall	3,601	3,526	(75)	S
Becketwell	29	4	(25)	S
Accelerated Development (Infinity Park Derby/Innovation Centre Risk Provision)	530	0	(530)	S
City Living Initiative	1,560	1,240	(320)	S
Derbyshire County Cricket Club	2,118	1,274	(844)	S
Enscite	75	0	(75)	S
Derbyshire Enterprise Growth Fund	1,680	680	(1,000)	S
Total Changes to The Regeneration Programme	9,743	6,764	(2,979)	
Housing General Fund				
Empty Property Assistance	329	279	(50)	S
Healthy Housing Assistance (Better at Home)	120	170	35	R1
Total Changes to The HGF Programme	449	449	(15)	
HRA				
New build & acquisition	950	750	(200)	R1
Ashlea NB	466	266	(200)	S
Total Changes to The HRA Programme	1,416	1,016	(400)	
ICT				
Planning System	50	0	(50)	R1
Total Changes to The ICT Programme	50	0	(50)	

TOTAL CHANGES TO PROGRAMME	21,902	15,331	(6,587)	
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Key of Categories	
A	Additional schemes from new funding secured
A1	Scheme increase funded by previous years' reserves income
S	Re-phasing
R1	Other Adjustments - Scheme Reductions/Increases
R2	Re-allocated Within Departments Programme
R3	Re-allocated To Different Departments Programme

Revised Indicative programme 2015/16 – 2017/18

Strategy Area	2015/16 £000	2016/17 £000	2017/18 £000
Schools	7,732	8,986	6,601
Highways & Transport	4,416	10,759	7,100
Property Improvement	2,089	1,635	2,061
Property Maintenance & Refurbishment	2,385	5,718	2,032
Parks & open Spaces	1,974	0	0
Vehicles Plant & Equipment	2,164	26,494	564
Flood defence	3,549	12,603	9,920
Regeneration	30,371	20,726	5,265
Housing General Fund	2,415	2,479	1,879
HRA	18,965	22,761	11,321
ICT	1,876	500	3,750
Contingency	1,100	0	0
Programme Sub-Total	79,035	112,661	50,493
Less devolved formula	(800)	0	0
Less assumed capital slippage	0	0	0
Total Programme	78,235	112,661	50,493

Appendix 4

Revised Funding Position – 2015/16

Funding Source	Original Approved capital Programme £000s	Slippage and revisions £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised programme at Quarter 3 £000's
Supported Capital Expenditure (Revenue)	70	(3)	67		67
Supported Capital Expenditure (Capital)	14,922	4,826	10,096	(793)	9,303
Unsupported Borrowing					
Corporate	21,659	990	22,649	(3,401)	19,248
Service Financed	9,562	(4,797)	4,797	(489)	4,308
Service Financed Spend to Save	0		0		0
External Borrowing	1,330		1,330		1,330
Government Grants	30,084	(14,918)	15,166	(465)	14,701
Housing Major Repairs Allowance	19,316	(58)	19,258	(400)	18,858
Capital Receipts	0	3,173	3,173		3,173
External Contributions	3,280	1,787	5,067	(1,015)	4,052
Lottery	967	345	1,332		1,332
S106 External Contributions	531	118	649		649
RCCO	715	470	1,185	59	1,244
Service Reserves	200	(100)	100	(83)	17
Capital Reserves	25	18	43		43
TOTAL	102,661	(17,839)	84,822	(6,587)	78,235

Note

The devolved formula funding has been deducted from the above table as it is not the councils responsibility to spend the funding it is devolved to schools. The £6,587,000 reduction takes into account any reductions made for over programming.