



Quarter 2 Capital Budget Monitoring 2016/17 – 2018/19

SUMMARY

- 1.1 This report provides details of the revised financial position for the 2016/17 Capital Budget for Quarter 2. 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 £65,877,000 for 2016/2017, after reflecting revisions to the Capital programme of (£26,649,000). 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 4.5 - 4.13
- 1.3 The report also highlights programme area risks on deliverability of the programme together with mitigation and a RAG rating detailed in paragraph 4.14.
- 1.4 A revised indicative programme for 2017/18 – 2018/19 detailed in table 3 paragraph 4.15.
- 1.5 A revised funding position is shown in Table 4 section 5.

RECOMMENDATION

- 2.1 To approve the changes and additions required to the 2016/17 capital programme as detailed in Appendix 2.
- 2.2 To note the revised programme for 2016/17 in table 1 and the revised indicative programme for 2017/18-2018/19 as shown in table 3.
- 2.3 To note the changes to 2016/17 capital funding as detailed in Table 4 Section 5.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's revised capital programme as at quarter 2.
- 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.



COUNCIL CABINET
9 November 2016

Report of the Chief Executive

SUPPORTING INFORMATION

4 UPDATE ON CAPITAL BUDGET 2016/17

4.1 The latest capital programme totals £65,877,000 for 2016/17 which includes revisions of (£26,649,000) since the last reported position at July Cabinet. This gives a variance to the original indicative programme of (£40,348,000).

4.2 Delivery of the 2016/17 Programme

The capital programme consists of a number of capital schemes across 9 programme areas. The programme is currently on target to deliver the majority of schemes on time and within budget.

4.3 Revised Capital Programme 2016/17

4.4 Table 1 provides a summary of the revised capital programme with changes totalling (£26,649,000). The quarter 2 position of £65,877,000 forms the baseline on which the 2016/17 outturn position will be performance measured.

Table 1: Summary of Revised Capital Programme

Strategy Area	Original programme 2016/17 £000s	Revised Capital Programme Baseline Quarter 1 £000s	Approved Slippage and revisions to July Cabinet £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised Capital Programme Baseline Quarter 2 £000s
Schools	8,957	5,991	663	6,654	(835)	5,819
Highways and Transport	10,454	7,729	(8)	7,721	163	7,884
Property Improvement	5,920	9,685	(670)	9,015	(435)	8,580
Vehicles Plant and Equipment	26,494	25,642	0	25,642	(24,972)	670
Flood defence	11,163	13,366	0	13,366	15	13,381
Regeneration	17,747	12,185	0	12,185	(622)	11,563
Housing General Fund	2,429	2,939	0	2,939	0	2,939
HRA	22,561	15,007	(29)	14,978	0	14,978
ICT	500	828	(22)	806	0	806
Sub Total Programme	106,225	93,371	(66)	93,305	(26,686)	66,619
Less Devolved		(779)		(779)	38	(742)
Total programme	106,225	92,592	(66)	92,526	(26,649)	65,877

4.5 Schools

The Schools capital programme requires net changes of (£835,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

(£620,000) slippage for the Bemrose Secondary Expansion. Due to an approach from DfE the scheme has needed to be reviewed. DfE under a proposed Priority Schools Building Project want to add further accommodation to Bemrose. This has an impact on the existing capital work planned. If DCC had progressed the existing scheme this would have jeopardised the opportunity of further accommodation via the DfE. Further feasibility works are now being carried out which will be reported in January 2017. It is important we build further school places at Bemrose. This action from DfE will result in slippage on DCC current plans.

4.6 Highways and Transport

The Highways and Transport capital programme requires net changes of £163,000 as detailed in Appendix 2.

4.7 Property Improvement

The Property Improvement capital programme requires net changes of (£435,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

- (£285,000) reduction for the Energy efficiency projects for Homes for the older people (HOPs). Payback on LED lighting would be in the region of 2 to 3 years therefore until the outcome of the soft market testing currently being conducted is known it would not seem prudent to spend this level of budget.
- (£200,000) slippage for the glazing to the market hall roof to 2017/18. Whilst undertaking more detailed roof surveys, additional work has been identified which will potentially increase the scope of the works required and make it a larger project which would need to be delivered over the next few years. Holding repairs are currently under development which would need to be funded from revenue budgets. It is therefore proposed to slip the £200k from 2016/17 to 2017/18 to allow detailed design work and project planning to take place.

4.8 Vehicles Plant and Equipment

The Vehicles Plant and Equipment capital programme requires net changes of (£24,972,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

- (£25,000,000) slippage to 2017/18 for the waste management facility. This contribution was due to be paid once the facility was completed, which was scheduled to be the end of 2016/17. It is now expected to be completed in September 2017 at the earliest, consequently delaying payment of the council's contribution.

4.9 Flood Defence

The Flood Defence capital programme requires net changes of £15,000 as detailed in Appendix 2.

4.10 Regeneration

The Regeneration capital programme requires net changes of (£622,000) as detailed in Appendix 2. A summary of the significant changes are listed below...

- (£310,000) slippage to 2017/18 for the iHub plot preparation. Pre-site investigations and design work has commenced to improve the lighting, drainage and parking infrastructure around the i-Hub building on Infinity Park Derby. The commencement of design work is advanced therefore a more accurate and confident picture of spend on this scheme can now be predicted. Re-profiling of £310,000 into 2017/18 is required as this is when the majority of actual works will be delivered.

4.11 Housing General Fund

The Housing General Fund capital programme requires no changes.

4.12 HRA

The HRA capital programme requires net changes of zero as detailed in Appendix 2. However there are some significant changes included below ...

- £300,000 reallocation to be held for inner city acquisitions. Appropriate approvals will be gained for planned acquisitions before commencement of individual schemes.

4.13 ICT

The ICT capital programme requires net changes of nil as detailed in Appendix 2.

4.14 Programme Risk 2016/17

Some areas of the current 2016/17 programme are subject to delivery risks. This could be due to a number of reasons including:

- Weather
- Unforeseen underground works
- Planning permission
- Prolonged consultation issues
- Legal issues in the acquisition of land
- External grant take up

This inevitably impacts on accurate forecasting and predictions for the year end outturn. Table 2 below identifies the programme areas and risks associated with those areas together with mitigation in the deliverability of the schemes within the strategy area. The following areas are those that are still uncertain for the reasons specified.

Table 2

Strategy Area	Risk	Mitigation	Rating
Property Improvement	Projects are subject to change depending on decisions made regarding the Property Rationalisation work. The capital programme currently reflects the property rationalisation plan but this could change.	Properties are involved in Property Rationalisation meetings and will therefore be forewarned of any decisions.	Amber
Property Improvement	Property Design Maintenance have implemented a new structure, as such there are a number of vacancies currently being recruited to. Being able to successfully recruit to these posts will have an impact on the ability to successfully deliver the programme.	Agency and consultant support in the interim.	Amber

Strategy Area	Risk	Mitigation	Rating
H&T	A52 Congestion Management - latest estimated scheme costs are currently higher than initially thought	The scheme costs proposed by the contractor are currently being assessed to identify ways to reduce cost and we are also pursuing other funding opportunities	Amber
Regeneration	A number of schemes within the regeneration programme attract external funding and have loans associated with them the risk therefore of underspend is high. This coupled with the unknowns for the Infinity Park Derby (IPD) project mean the risk overall for the regeneration programme is red.	Close monitoring month by month (including continual external project management for large capital projects e.g. IPD) and adjustments within the programme to use money where savings occur. Infinity Park Derby and the Townscape Heritage Initiative scheme were reduced by 20% within the regeneration programme at quarter 1 to take account of the red risk status.	Red

The risks identified in Table 2 will be under review and reported to the Corporate Capital Programme Board on a monthly basis with an update reported in the Quarter 2 capital monitoring report.

4.15 Revised Programme 2016/17- 2018/19

Table 3 shows the 2016/17 – 2018/19 indicative programmes approved at 20th January Cabinet, incorporating the changes from above.

Table 3 Revised Indicative programme 2016/17 – 2018/19

Strategy Area	2016/17 £000	2017/18 £000	2018/19 £000
Schools	5,819	10,266	17,380
Highways & Transport	7,884	13,548	4,851
Property Improvement	8,580	4,460	18
Vehicles Plant & Equipment	670	25,564	530
Flood defence	13,381	9,920	9,581
Regeneration	11,563	17,601	750
Housing General Fund	2,939	2,229	1,464
HRA	14,978	14,831	19,213
ICT	806	3,772	100
Total Programme	66,619	102,642	53,887

5. Capital funding

5.1 Table 4 provides a revised funding position for the 2016/17 capital programme to take account of the changes detailed above.

Table 4- Revised Funding Position – 2016/17

Funding Source	Original Approved capital Programme £000s	Revised programme at Quarter 1 £000's	Slippage and revisions £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised programme at Quarter 2 £000's
Supported Capital Expenditure (Capital)	10,359	10,532	635	11,167	(451)	10,716
Unsupported Borrowing						
Corporate	42,059	41,255	(217)	41,038	(22,947)	18,091
Service Financed	6,699	1,132	0	1,132	(285)	847
Government Grants	21,639	18,775	282	18,493	(2,702)	15,791
Housing Major Repairs Allowance	21,406	13,926	(103)	13,823	(16)	13,807
Capital Receipts	290	2,544	(162)	2,382	0	2,382
External Contributions	487	1,510	(310)	1,200	(346)	854
Lottery	397	0	0	0		
S106 External Contributions	1,316	1,516	(79)	1,437	0	1,437
RCCO	248	1,261	678	1,939	61	2,000
Service Reserves	162	245	(150)	95	0	95
Capital Reserves	510	676	(76)	600	0	600
TOTAL	106,225	93,371	(66)	93,306	(26,686)	66,619
Less Devolved		(779)		(779)	38	(742)
Total Funding	106,225	92,592	(66)	92,526	(26,648)	65,877

5.2 The devolved formula funding has been deducted from the above table as it is not the council's responsibility to spend the funding it is devolved to schools. The net changes are due to the following larger movements:

5.3 Supported Capital Expenditure (Capital)

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

5.4 Corporate Borrowing

The reduction in the corporate borrowing is mainly due to the slippage for the waste disposal plant and technical adjustments made to ensure appropriate funding to the 2015/16 outturn funding.

5.5 Service Financed Borrowing

The reduction in the service financed borrowing is due to the removal of the energy efficiency projects for homes for older people until the outcomes of soft market testing are known.

5.6 Government Grants

The reduction in Government Grants is mainly due to technical adjustments required to the 2015/16 outturn funding to ensure appropriate and slippage within the property programme.

5.7 External Contributions

The reduction in external contributions is due to the slippage on the regeneration programme.

5.8 RCCO

The increase in RCCO's is due to increases within the property programme and an addition of a new cemetery vehicle on the vehicles plant and equipment programme.

5.9 Devolved Formula

The reduction in the devolved formula schools grant is due to the slippage on Chelleston junior hall extension scheme.

OTHER OPTIONS CONSIDERED

6.1 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 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 2016/17

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. Risks to the programme delivery are detailed in paragraph 4.14 Table 2.

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 2016/2017	Latest Approved Capital Programme 2016/17 £000	Revised Capital Programme 2016/17 £000	Change £000	Category
Schools				
Ash Croft Primary - Temporary Classroom	15	24	9	R2
Allenton Primary - Temporary Classroom	2	0	(2)	R2
Chaddesden Park Primary - Temporary Classroom	2	1	(1)	R2
Cherry Tree Hill Primary - Temporary Classroom	2	0	(2)	R2
Lawn Primary - Temporary Classroom	2	0	(2)	R2
Portway Infant - Temporary Classroom	2	0	(2)	R2
Osmaston Primary School - Major modernisation scheme	31	1	(30)	R2
Cherry Tree Hill Primary - Windows	1	0	(1)	R2
Griffefield Primary – Fire Risk Assessment(FRA) works	1	32	31	R2
Chellaston Junior School - Hall Extension	80	80	0	R2
Chellaston Junior School - Hall Extension	80	28	(52)	S
Bemrose - Secondary Expansion	900	280	(620)	S
Brackensdale Junior - Remodelling	8	19	11	R2
Central Nursery - Path	11	0	(11)	R2
Boulton Children's Centre - Remodelling	12	0	(12)	R2
DfE Two Year Old Capital Grant	85	15	(70)	S
Rosehill Infant - Windows	9	1	(8)	R2
Gayton Junior - FRA works	1	5	4	R2
Ridgeway Infant - Vic Hallam works	0	2	2	R2
Building at Risk	34	36	2	R2

Springfield Primary - Boiler replacement	18	0	(18)	S
Oakwood Infant - Windows	14	0	(14)	S
Shelton Junior - FRA works	5	0	(5)	S
St Giles Special - Remodelling	30	5	(25)	S
Schools Access Initiative	6	5	(1)	R2
Alvaston Infants and Junior - handrails and markings	0	1	1	R2
Noel Baker - BSF scheme	20	0	(20)	S
Total Changes to the Schools Programme	1,371	536	(835)	
Highways & Transport				
Local Traffic Management	477	640	163	R3/A
Structures Maintenance	827	802	(25)	R2
Highways Maintenance	2,287	2,312	25	R2
Total Changes to the Highways and Transport Programme	3,591	3,754	163	
Property Improvement				
Energy Efficiency Projects HOPs	285	0	(285)	R1
Parks - various sites	110	90	(20)	"S - £(20k)
Children's Homes refurbishments	50	20	(30)	R2 - £(17k)
Queensferry Gardens Children's Home refurbishment	347	377	30	R2 - £(53k)
Allestree Hall treatment for beetle	40	30	(10)	R1 - £10k
Market Hall Replace high level glazing to the doomed roof section including the end glazed section	250	50	(200)	R1 - £35k
Guildhall FRA and H&S Works	100	160	60	R1 - £25k EC"
Planned Maintenance - Various	0	70	70	R2
Various Sites Boundary Improvements	14	4	(10)	R2
Various sites Buildings at risk	129	89	(40)	R2
Total Changes to the Property Improvement Programme	1325	890	(435)	
Vehicles Plant & Equipment				
Cemetery Vehicle	0	28	28	A

Waste Management Facility	25,000	0	(25,000)	S
Total Changes to the Vehicles Plant and Equipment Programme	25,000	28	(24,972)	
Flood Defence				
OCOR	13,116	13,131	15	A
Total Changes to the Flood Defence programme	13,116	13,131	15	
Regeneration				
Townscape Heritage Initiative	168	75	(93)	S
Creative Pathways	56	25	(31)	S
DEGF (Recycled)	258	70	(188)	S
IHub Plot Preparation	450	140	(310)	S
Total Changes to The Regeneration Programme	932	310	(622)	
HRA				
New build and acquisitions	630	530	(100)	R1
Perth Street	600	400	(200)	R1
Inner city acquisitions	0	300	300	R2
Total Changes to The HRA Programme	1,230	1,230	0	
ICT				
Network Support & Infrastructure	117	222	105	R2
ICT Stabilisation - Hardware Renewal	500	395	(105)	R2
Total Changes to The ICT Programme	617	617	0	
TOTAL CHANGES TO PROGRAMME	47,182	20,496	(26,686)	
	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

