

Quarter 1 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 1. 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 £89,379,460 for 2015/2016, after reflecting revisions to the Capital programme of £7,906,090 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 – 2017/18 detailed in table 2 paragraph 4.15.
- 1.4 A revised funding position is shown in Table 2 section 5.
- 1.5 Details of additional S106 required to be added to the 2014/15 – 2016/17 capital programme are detailed in paragraph 5.3.
- 1.6 An analysis of a proposed allocation of the available funding from the outturn net scheme cost variations 2014/15.

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.
- 2.3 To note the changes to 2015/16 capital funding as detailed in Table 3 Section 5.
- 2.4 To approve the allocation of S106 funding as summarised in paragraph 5.3 table 4.

- 2.5 To approve the use of the surplus funds from the outturn net scheme cost variations reported at July Cabinet for the schools 2016/17 capital programme (£528,000) and to create a corporate contingency of £1,100,000 funded from the single capital pot underspends and corporate borrowing underspends detailed in paragraph 6.2 table 5.

REASONS FOR RECOMMENDATION

- 3.1 To update Cabinet of the Council's revised capital programme as at quarter 1.
- 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.

SUPPORTING INFORMATION

4 UPDATE ON CAPITAL BUDGET 2015/16

- 4.1 The latest capital programme totals £89,379,460 for 2015/16 which includes revisions of £7,906,090 since the last reported position at July Cabinet. This gives a variance to the original indicative programme of £13,858,000 and is mainly due both to outturn slippage from 2014/15 which was added to the programme at July's Cabinet and realisation of assumed slippage within the 2015/16 programme.

4.2 Delivery of the 2015/16 Programme

The capital programme consists of a number of capital schemes across 11 programme areas. The programme is currently on target to deliver the majority of schemes on time and within budget.

4.3 Revised Capital Programme 2015/16

Table 1 provides a summary of the revised capital programme with changes totalling £6,689,090. The quarter 1 position of £89,379,460 forms the baseline on which the 2015/16 outturn position will be performance measured.

Table 1: Summary of Revised Capital Programme

Strategy Area	Original programme 2015/16 £000s	Approved Slippage and revisions to 10 Jul Cabinet £000s	Latest Approved capital programme £000s	Further Revisions £000s	Revised Capital Programme Baseline Quarter 1 £000s
Schools	10,945	(3,726)	7,219	0	7,219
Highways and Transport	4,109	440	4,549	0	4,549
Property Improvement	2,021	755	2,776	(41)	2,735
Property Maintenance and Refurbishment	5,651	(2,259)	3,392	0	3,392
Parks & Open Spaces	1,265	664	1,929	0	1,929
Vehicles Plant and Equipment	2,769	88	2,857	0	2,857
Flood defence	19,490	(10,943)	8,547	(581)	7,966
Regeneration	35,010	6,937	41,947	(7,264)	34,683
Housing General Fund	5,080	(1,473)	3,607	(1,389)	2,218
HRA	19,316	(449)	18,867	269	19,136
ICT	2,328	252	2,580	0	2,580
Contingency	0	0	0	1,100	1,100
Sub Total	107,984	(9,714)	98,270	(7,906)	90,363
Less schools devolved		(526)	(526)		(526)
Less assumed capital slippage	(4,747)	3,072	(1,675)	1,217	(458)
Total Programme	103,237	(7,168)	96,069	(6,689)	89,379

4.4 Forecast Spend 2015/16

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

Although the current programme is forecasting to spend £89,379,000 it is more realistic that the Council will actually spend around £80,000,000 which will include:

Strategy Area	Forecast Spend 2015/16 £
Schools	7,219,000
Transport	4,549,000
HRA	19,136,000
HGF	2,218,000
Parks	1,929,000
ICT	2,580,000
Regeneration	34,683,000
Flood defence	250,000
Property	5,456,000
Total	78,020,000

This is due to some areas of the programme still requiring consideration making accurate forecasting difficult to predict for the year end outturn. The following areas are those that are still uncertain for the reasons specified

- Vehicles Plant and Equipment £2,857,000 due to the decisions as to whether items of plant and equipment will be replaced in 2015/16
- Property rationalisation scheme £671,000 which is still under discussion as to what properties will be kept or disposed of.
- Regeneration, This area has forecasting issues that rely on funding agreements being signed and contract negotiations being agreed and signed which will both have a knock on effect of delaying the start of certain schemes within the programme.
- Flood Defence - £7,670,000 for the Our City Our River scheme which is currently still awaiting planning permission and works not due to start on site until February 2016.

4.5 Schools

The schools capital programme requires no changes.

4.6 Highways and Transport

The Highways and Transport capital programme requires no changes.

4.7 Property Improvement

The property Improvement capital programme requires a net reduction of £41,000 as detailed in Appendix 2. There are no significant changes over £200,000.

4.8 Property Maintenance and Refurbishment

The property capital programme requires no changes.

4.9 Parks and Open Spaces

The Parks and Open Spaces capital programme requires no changes.

4.10 Vehicles Plant and Equipment

The Vehicles Plant and Equipment capital programme requires no changes.

4.11 Flood Defence

The Flood Defence capital programme requires net changes totalling a reduction of £581,000 for the Our City Our River scheme following receipt of the planned cost projections of the main contractor.

4.12 Regeneration

The Regeneration capital programme requires net changes totalling a reduction of £7,264,000 as detailed in Appendix 2. A summary of the significant changes are included below ...

- £510,000 slippage to 2016/17 for the Spot. The project is being part funded by Local Growth Fund. Due to delays in due diligence appraisal and funding agreement for LGF funding, the scheme has been reprofiled between 2015-16 and 2016-17. Funding agreement is expected in September at the earliest (original profiles were based on receiving funding agreement in Q1).
- £910,000 slippage to 2016/17 on Vibrant City Placemaking. The project is wholly funded by Local Growth Fund. Due to delays in due diligence appraisal and the funding agreement for LGF funding, the scheme has been reprofiled between 2015-16 and 2016-17. Funding agreement is expected in September at the earliest (original profiles were based on receiving funding agreement in Q1).
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- £2,100,000 slippage to 2016/17 for infinity park derby infrastructure this is due to delays in the due diligence appraisal and funding agreement for LGF funding, reprofiling has therefore been necessary between 2015-16 and 2016-17. The Funding agreement is expected in September at the earliest (original profiles were based on receiving funding agreement by end June 2015)
- £233,000 slippage to 2016/17 for the Townscape Heritage Initiative scheme which is now in line with the most recent profiles submitted to the primary funder (HLF). This scheme is supporting building improvements in partnership with property owners therefore is demand led and dependent on delivery by third parties. There will always be a risk to the profile for this scheme.
- £292,000 slippage to 2015/16 for the Derbyshire cricket club loan The project comprises 2 loans and a grant to DCCC plus associated fees. Loan 1 and the grant is linked to the purchase of the Gateway Centre which is forecast to be spent by the end of September. Loan 2 is a bridging loan with payment to DCCC phased in line with the construction programme. The construction work has to happen out of season (i.e. Oct - Mar). The council will know by the end Aug if the work is progressing in 2015-16 or next year. Based on DCCC's profile, even if it goes ahead this year, slippage of £292k into future years is still required.
- £894,000 reduction to the Access Osmaston scheme due to the removal of £448k LGF funding. The amount likely to be awarded from LGF is expected to be less than the amount originally applied for. Also reprofiling of the project spend across 3 years to reflect long due diligence and delays to receiving the funding agreement (now expected September at the earliest)
- £1,680,000 addition for the Derby Enterprise Growth Fund to reflect the recycled loan funding expected in 15/16.

- £391,000 slippage to 2016/17 for the Alvaston District Centre improvement scheme. Start on site for the final phase of public realm improvements at Alvaston has been delayed. It is currently anticipated that work will start on site in March 2016.
- £272,000 slippage to 2016/17 for Mackworth District Centre improvements. This scheme has been re-profiled following a review of the exercise for the District Centre Improvement Programme and the elements of the Programme that can realistically be achieved in 2015-16. It is currently anticipated that work will start on site in March 2016.
- £2,540,000 slippage to 2016/17 for the City Living project. This scheme has been re-profiled to reflect the current caseload of enquiries and the applications likely to be delivered in 2015-16.

4.13 **Housing General Fund**

The Housing General Fund capital programme requires a reduction of £1,389,000 which is due to the removal of the Extracare scheme whilst proposals for Homes for Older People provision are explored.

4.14 **HRA**

The HRA capital programme requires net changes totalling an increase of £269,000 as detailed in Appendix 2.

4.15 **ICT**

The ICT capital programme requires no changes.

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

Table 2 shows the 201/16 – 2017/18 indicative programmes approved at 18th February Cabinet, incorporating the changes from above.

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

Strategy Area	2015/16 £000	2016/17 £000	2017/18 £000
Schools	7,219	8,598	6,535
Highways & Transport	4,549	10,490	7,100
Property Improvement	2,735	2,979	5,372
Property Maintenance & Refurbishment	3,392	4,737	2,037
Parks & open Spaces	1,929	0	295
Vehicles Plant & Equipment	2,857	25,560	564
Flood defence	7,966	8,074	9,920
Regeneration	34,668	20,248	12,265
Housing General Fund	2,218	5,532	2,297
HRA	19,136	19,691	11,321
ICT	2,580	860	10,360
Contingency	1,100	0	0
Programme Sub-Total	90,363	106,769	68,066
Less devolved formula	(526)	(569)	(569)
Less assumed capital slippage	(458)	(4,123)	(3,337)
Total Programme	89,379	102,077	64,160

5. Capital Funding

- 5.1 Table 2 provides a revised funding position for the 2015/16 capital programme to take account of the changes detailed above.

Table 2- 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 1 £000's
Supported Capital Expenditure (Revenue)	70	(3)	67	0	67
Supported Capital Expenditure (Capital)	14,922	1,138	16,060	(4,599)	11,461
Unsupported Borrowing					
Corporate	21,659	(1,004)	20,655	2,583	23,238
Service Financed	9,562	57	9,619	(1,389)	8,230
Service Financed Spend to Save	0	0	0	0	0
External Borrowing	1,330	0	1,330	0	1,330
Government Grants	30,084	(10,505)	19,579	(4,920)	14,659
Housing Major Repairs Allowance	19,316	(449)	18,867	269	19,136
Capital Receipts	0	3009	3,009	34	3,043
External Contributions	3,280	41	3,321	1,663	4,984
Lottery	967	365	1,332	0	1,332
S106 External Contributions	531	154	685	11	696
RCCO	715	593	1,308	(387)	921
Service Reserves	200	28	228	46	274
Capital Reserves	25	(25)	0	0	0
Devolved formula	576	(41)	535	0	535
TOTAL	103,237	(6,642)	98,270	(6,689)	93,363

- 5.2 The £6,689,000 reduction takes into account any reductions made for over programming. The net changes are due to the following larger movements:

Supported Capital Expenditure (Capital)

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

Corporate Borrowing

The increase in corporate borrowing is due to changes within the regeneration programme

Borrowing Service Financed

The reduction in the service financed borrowing is due to the removal of the Extracare scheme.

Government Grants

The reduction in government grants is mainly due to slippage in the regeneration programme funded from Local Growth Fund of which funding agreements are not due to be signed until September.

Major Repairs Allowances - MRA

The increase in the MRA is due to the reallocations within the HRA programme

Lottery

No significant movements this quarter.

External Contributions

The increase in External Contributions is mainly due to the addition of the recycled loan repayments for the DEGF scheme

RCCO

The reduction in revenue contributions is mainly due to the review of funding for grounds plant and equipment and changes within the regeneration capital programme.

Service Reserves

No significant movements this quarter.

5.3 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. Table 4 details a new S106 allocation to be added to the Regeneration capital programme.

Strategy Area	Scheme	Developer	Ward	£	S106 ref no
Regeneration	Creative Pathways	Watkin Jones	Darley	16,967	BROS6-06

6. Outturn Net over/underspends

- 6.1 The outturn report approved at the July cabinet noted the outturn net scheme cost variations totalling £3,604,385 and noted the following:
These amounts are held within the relevant capital resources funding streams for 2015/16 but not allocated to the capital programme. The use of the funding from under spends will be the subject of future reports to Council Cabinet for approval.

- 6.2 This report recommends how the net underspends will be allocated to the 2015/16 -2017/18 programme. Of the total £3,604,382 underspends £2,041,543 is not available for general reallocation as the funding streams that make up this balance include ring fenced capital funding and will therefore be held for the specific requirements deemed by the funding source. However £1,562,839 is non ringfenced funding and can therefore be rolled back into the current 2015/16 -2017/18 capital programme. In addition a further £65,072 is also available from accruals credit balances no longer required. Table 5 summarises the net available non ring fenced underspends by funding source and specifies how it is proposed to utilise these within the 2015/16 -2017/18 capital programme.

Table 5 Summary of Available Underspends

Funding Source	Net overs/unders £000	Earmarked
Total Net outturn Underspends	3,604	
Less ringfenced funding streams	(2,042)	
Available for reallocation	1,563	
Add credit accruals balance	65	
Total Available for reallocation	1,646	
Surplus Funding made up as:		
Supported Capital Expenditure (Capital)	(859)	
Unsupported Borrowing Corporate	(722)	
Credit Balance prev years accrual no longer required	(65)	
Balance available	1,646	
Proposed Allocation		
Allocated to the schools 2016/17 programme	528	£528k required for schools in 2016/17
Overspend offset	18	£18k overspend
		£1,100k available as a corporate capital contingency to be added to the 2015/16 programme.
Creation of corporate contingency	1,100	
	1,646	

- 6.3 It is recommended that the schools programme be allowed to keep their allocation in line with locally agreed policy. This totals £528,000 and it is requested that this be added to the 2016/17 schools capital programme. A further £1,100,052 is requested to be added to the 2015/16 capital programme as a corporate contingency.

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)	Amanda Fletcher – 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 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
Property Improvement				
Coronation Avenue - New Children's Centre	0	1,027	1,027	R2
Queensferry Gardens Children's Centre Refurbishment	0	43	43	R2
Cricklewood Children's Centre - Refurbishment	0	3	3	R2
Children's Homes Phase 2	1,114	0	(1,114)	R2/S
Total Changes to the Property Improvement Programme	1,114	1,073	(41)	
Property Maintenance				
Allen Park Adult Learning Centre - Replacement boiler	49	42	(7)	R2
Darley Park Changing Room replacement boiler	60	87	27	R2
In year priorities to be identified	565	463	(102)	R2
Lift Replacement / Maintenance	200	282	82	R2
Total Changes to the Property Maintenance Programme	874	874	0	
Flood Defence				
OCOR Derby FRMS Standalone Project P1	8,251	7,670	(581)	S
OCOR Derby FRMS Development Sites P1				
Total Changes to The Flood Defence Programme	8,251	7,670	(581)	

Regeneration				
Infinity Park Derby	11,456	11,506	50	R1
Accelerated Development/IPD + IC Risk Provision	699	649	(50)	R1
The Spot	610	100	(510)	S
Vibrant City Placemaking	1,090	120	(970)	S
Infinity Park Derby (infrastructure)	2,450	350	(2,100)	S
Friar Gate Bridge	260	100	(160)	S
St Peter's Cross	190	30	(160)	S
Townscape Heritage Initiative	530	297	(233)	S
Castleward Enhancement of Public Square	100	0	(100)	S
Derbyshire County Cricket Club	2,410	2,118	(292)	S
Community Led Development	100	0	(100)	R1
Access Osmaston	994	130	(864)	R1
Derby Enterprise Growth Fund	1,760	3,440	1,680	A
Creative Pathways	0	11	11	A
Alvaston District Centre Improvement	471	80	(391)	S
Mackworth District Centre Improvements	422	150	(272)	S
Normanton District Centre Improvements	230	83	(147)	S
Cavendish District Centre Improvements	55	115	(60)	R1
District Centre Improvement Programme	60	0	(60)	R1
City Living Initiative	4,590	2,050	(2,540)	S
Darley Abbey Mills	300	250	(50)	S
Building Frontage Enhancement	130	65	(65)	S
Total Changes to The Regeneration Programme	28,907	21,644	(7,263)	
Housing General Fund				
Extracare	1,389	0	(1,389)	R1
Total Changes to The HGF Programme	1,389	0	(1,389)	

HRA				
PVCu Windows & doors	1,000	700	(300)	R1
Kitchens and bathrooms	2,350	2,300	(50)	R1
One-off Mods/Refurbs	400	500	100	R1
Re-roofing	650	600	(50)	R1
Communal door entry systems	41	65	24	R1
Rewiring/Electrical upgrades	335	300	(35)	R1
Solid Wall Insulation	800	1,000	200	R1
Hillcrest Road	91	187	96	R1
Seymour Close	0	240	240	A
Ashlea Demolition	36	80	44	R1
Total Changes to The HRA Programme	5,703	5,972	269	
Contingency	0	1,100	1,100	A
TOTAL CHANGES TO PROGRAMME	46,238	38,333	7,906	
	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
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