

11 June 2019

<b>Report of</b>	<b>Assistant Director Policy and Corporate</b>	<b>Author</b>	<b>Mark Jarvis</b> ☎ 282774
<b>Title</b>	<b>Capital Expenditure Monitor 2019/20</b>		
<b>Wards affected</b>	Not applicable		

## 1 Executive Summary

- 1.1 The Council's capital programme includes capital expenditure in relation to the delivery of General Fund services, as well as in respect of the Housing investment Programme, including expenditure on housing stock. The programme also includes capital schemes which form part of the Revolving Investment Fund (RIF).
- 1.2 In line with the Council's Financial Regulations, a review of the schemes included in the capital programme is required on a quarterly basis.

## 2 Action Required

- 2.1 To review the progress of the schemes included in the capital programme, the associated spend for the financial year, the budget forecasts for 2018/19 and future years and the RAG rating for each scheme as defined by the relevant project manager.

## 3 Reason for Scrutiny

- 3.1 Monitoring the capital programme is important to ensure that:
- spending on projects is within agreed scheme budgets,
  - projects are delivered to the required level to support service delivery objectives within the designated budget,
  - the Council maximises its available capital resources and ensures public funds are invested effectively, supporting the Council's various financial strategies and associated statutory requirements; and
  - Members have assurance that the key risks associated with the capital programme are being managed to ensure efficient and effective delivery of the programme.
- 3.2 This report also gives the Panel the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and project delivery progress and outcomes.

## 4 Background Information

- 4.1 The Council's capital programme for 2018/19 and future years was approved by Council on the 21 February 2018 and agreed going forward as part of the Council's consideration of the 2019/20 budget and Medium-Term Financial Strategy. In line with the Council's Financial Regulations, progress on the approved programme is required to be reviewed on a quarterly basis.
- 4.2 It should be noted that the capital programme mainly consists of schemes where spending is planned across a number of years. Financial variances can occur as a result of:
- reprofiling scheme budgets into the following financial year to reflect scheme progress on site;
  - reprofiling scheme budgets to reflect changes in the timing of payments; and
  - the need for additional budget due to changes in the nature of the scheme or unforeseen costs.
- 4.3 Any significant variances from planned financial and non-financial activity is reported to the Panel in the following paragraphs.

## 5 Quarterly Capital Monitoring Position

- 5.1 The table below provides a summary of the capital programme by service area:

	<b>Total Prog.</b>	<b>2018/19 Spend</b>	<b>2018/19 Forecast</b>	<b>Future Years Forecast</b>	<b>(Surplus) / Shortfall</b>
<b>Service / Scheme</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Communities	11,217	1,539	1,942	9,275	0
Environment	6,506	2,299	2,382	4,124	0
Policy & Corporate	46,481	3,672	6,680	39,801	0
Revolving Investment Fund (RIF)	36,462	7,049	7,694	28,768	0
Completed Schemes	222	77	226	0	4
Capitalised Maintenance	242	242	242	0	0
Housing Revenue Account	12,808	10,226	11,708	1,100	0
<b>Total Capital Programme</b>	<b>113,938</b>	<b>25,104</b>	<b>30,874</b>	<b>83,068</b>	<b>4</b>

- 5.2 Accrued capital expenditure for the financial year totalled £25.1m. This represents 81.3% of the projected capital programme spend for 2018/19. This compares to 85.0% for 2017/18.
- 5.3 The principal schemes behind the £5.8m slippage at year-end were:
- £1.5m Equity investment in Colchester Commercial Holdings Limited not made in year. This will go ahead in 2019/20
  - £1.3m Colchester Northern Gateway Heat Network – borehole works progressing, but construction works not yet commenced. These works will continue in 2019/20
  - £0.7m Purchase of properties for the Housing Revenue Account – 8 properties purchased in year and now forms part of a larger programme.

- £0.5m Housing ICT Development – now part of a review for the replacement of the housing system.
- Various smaller variances attributable to a number of other schemes.

5.4 A small overspend of £3.8k has occurred on the Garrison Gym project. This will be referred to a future meeting of Cabinet to address the funding shortfall.

**Appendix A** sets out the full capital programme, with the associated expenditure for the period under review and budget forecasts.

5.5 Since the Quarter 3 review of the programme by Governance and Audit Committee in March 2019, the Programme has increased by £1.123m, the material changes being detailed below:

- Colchester Northern Gateway Heat Network – additional borrowing of £720k agreed by Cabinet on 13 March 2019.
- Jacks – additional revenue funding of £288k agreed under Cabinet procedure rule 22, and to be reported to Cabinet in July.
- Stanway Community Centre – a Section 106 release of £122k to cover the first stages of feasibility work, preparation of a business plan and design development work.

5.6 Full details of the changes are reported at **Appendix B**.

5.7 A significant element of the capital programme comprises either financial support to the Council's recently formed companies or schemes in progress through the Revolving Investment Fund. These schemes bring with them a complex mix of funding and development management considerations as well as involving a number of external partners to deliver the required outcomes.

5.8 The schemes result in different risks compared to traditional capital expenditure schemes. Funding arrangements can take time to put in place and can be more volatile in the short- to medium-term; which could result in temporary Council funding to fill the short-term gap. Expenditure can be the responsibility of a number of organisations, resulting in complex accounting, management and governance arrangements.

5.9 To ensure that these issues affecting the capital programme are reported and considered promptly, this report includes commentary from project managers on the most significant areas of planned expenditure, **Appendix C** and schemes classified as 'Red' or 'Amber' in the RAG rating index **Appendix D**. For the reporting period no schemes have been classified as 'Red' under the RAG rating evaluation.

5.10 The Council uses a process of RAG rating to identify and report associated risks for individual capital schemes; with 'Green' indicating the scheme is on progress, 'Amber' indicating action required to bring the scheme back on track and 'Red' highlighting a material change to the scheme arrangements being required. As the financial year end approached, project managers were asked to reassess each scheme's RAG status and consider the level of planned expenditure to be undertaken by the end of the financial year. Five schemes are currently flagged as 'Amber'. No further schemes were classified as 'Amber' or 'Red' in Quarter 4.

## 6 Standard References

6.1. There are no particular references to the Strategic Plan, consultation, publicity considerations, community safety and no implications for equality, diversity and human rights or health and safety.

## **7. Financial implications**

- 7.1. The relevant financial implications are contained within the body of this report.

## **8. Risk Management Implications**

- 8.1 A process of RAG rating is used to assess the risks associated with individual capital schemes. The body of the report includes details of Scheme progress, risks and associated actions.

## **9. Appendices**

Appendix A – Capital Programme 2018/19

Appendix B – Capital Programme Funding Changes

Appendix C – Capital Programme Significant Areas of Expenditure

Appendix D - Capital Programme 'Amber' Schemes 2018/19

Appendix A									
Service / Scheme	Total Programme £'000	Spend to Q4 £'000	Projected Expenditure				(Surplus) / Shortfall £'000	RAG	
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000		Status Q4	Q3
SUMMARY									
Communities	11,217.6	1,539.3	1,941.9	7,351.8	1,851.3	72.6	0.0		
Environment	6,506.2	2,298.8	2,382.5	3,032.0	1,091.7	0.0	0.0		
Policy & Corporate	46,480.7	3,672.1	6,679.9	33,069.6	6,731.2	0.0	0.0		
Revolving Investment Fund (RIF)	36,462.0	7,049.2	7,693.6	26,787.0	1,981.4	0.0	0.0		
Completed Schemes	222.3	77.3	226.1	0.0	0.0	0.0	3.8		
Capitalised Maintenance	241.6	241.6	241.6	0.0	0.0	0.0	0.0		
Total (General Fund)	101,130.4	14,878.3	19,165.6	70,240.4	11,655.6	72.6	3.8		
Housing Revenue Account	12,807.6	10,226.1	11,707.6	1,100.0	0.0	0.0	0.0		
Total Capital Programme	113,938.0	25,104.4	30,873.2	71,340.4	11,655.6	72.6	3.8		
COMMUNITIES									
Tiptree P C - Store & WCs S106	89.1	0.0	89.1	0.0	0.0	0.0	0.0	G	G
St Luke's Church Hall Tiptree	48.5	6.2	48.5	0.0	0.0	0.0	0.0	G	G
Collingwood Road Scout Hut	158.2	88.4	158.2	0.0	0.0	0.0	0.0	G	G
Headway Essex S106	10.0	10.0	10.0	0.0	0.0	0.0	0.0	G	G
Walls - new merged scheme	126.5	16.2	22.5	60.0	44.0	0.0	0.0	G	G
Heritage Lighting	197.1	50.8	0.0	197.1	0.0	0.0	0.0	G	G
Stanway Community Centre	122.0	4.1	0.0	122.0	0.0	0.0	0.0	G	-
Mercury Theatre Redevelopment Phase 2	7,462.7	832.2	998.6	5,714.1	750.0	0.0	0.0	G	G
Cemetery Extension	38.6	0.0	0.0	38.6	0.0	0.0	0.0	G	G
Cemetery Exterior Lighting	20.0	0.0	0.0	20.0	0.0	0.0	0.0	G	G
Mandatory Disabled Facilities Grants	2,657.3	478.5	600.0	1,100.0	957.3	0.0	0.0	A	A
Private Sector Renewals - Loans and Grants	287.6	52.9	15.0	100.0	100.0	72.6	0.0	G	G
TOTAL - Communities	11,217.6	1,539.3	1,941.9	7,351.8	1,851.3	72.6	0.0		
ENVIRONMENT									
Shrub End Depot	1,040.5	0.0	0.0	100.0	940.5	0.0	0.0	A	A
Waste Collection Strategy	42.0	42.0	42.0	0.0	0.0	0.0	0.0	G	G
Shrub End - Fuel Tank	39.0	39.0	39.0	0.0	0.0	0.0	0.0	G	G
Waste Fleet Vehicles	4,912.2	2,095.8	2,200.0	2,561.0	151.2	0.0	0.0	G	G
Pressure Washer	17.8	17.8	17.8	0.0	0.0	0.0	0.0	G	-
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	0.0	G	G
Castle Park Cricket Pavilion Extension S106	125.0	0.0	0.0	125.0	0.0	0.0	0.0	G	G
Castle Park Improvements	267.7	85.2	21.7	246.0	0.0	0.0	0.0	G	G
Mile End Sports Ground	21.0	19.0	21.0	0.0	0.0	0.0	0.0	G	G
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Environment	6,506.2	2,298.8	2,382.5	3,032.0	1,091.7	0.0	0.0		
POLICY & CORPORATE									
Assistance to Registered Housing Providers	36.0	0.0	0.0	36.0	0.0	0.0	0.0	G	G
Use of 1-4-1 Right to Buy Receipts	1,346.0	674.7	671.7	522.1	152.2	0.0	0.0	G	G
Purchase of properties for temporary accommodation	2,880.0	2,825.7	2,880.0	0.0	0.0	0.0	0.0	G	G
Lending to new Council Housing Company	27,886.0	0.0	0.0	22,927.0	4,959.0	0.0	0.0	G	G
Equity Investment in CCHL	7,300.0	0.0	1,500.0	5,800.0	0.0	0.0	0.0	G	G
Equity investment in CAEL	80.0	0.0	80.0	0.0	0.0	0.0	0.0	G	G
District Heating Project North	147.7	147.7	147.7	0.0	0.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	6,609.4	0.0	1,289.4	3,700.0	1,620.0	0.0	0.0	G	G
CCTV Monitoring	111.1	24.0	111.1	0.0	0.0	0.0	0.0	G	G
LWC - Aqua Springs Refurbishment	84.5	0.0	0.0	84.5	0.0	0.0	0.0	G	G
TOTAL - Policy & Corporate	46,480.7	3,672.1	6,679.9	33,069.6	6,731.2	0.0	0.0		

<b>REVOLVING INVESTMENT FUND</b>								
Northern Gateway North	80.2	24.2	80.2	0.0	0.0	0.0	0.0	G G
CNGN - Mile End Cricket	122.2	108.7	122.2	0.0	0.0	0.0	0.0	G G
CNGN - Sports Hub	24,481.4	2,551.3	2,500.0	20,280.0	1,701.4	0.0	0.0	A A
Northern Gateway South	177.8	148.1	177.8	0.0	0.0	0.0	0.0	A A
CNGS - Detailed Planning	923.3	709.5	923.3	0.0	0.0	0.0	0.0	G G
CNGS - Boulevard	3,471.2	221.4	100.0	3,371.2	0.0	0.0	0.0	G G
Development Site (jnct 28)	12.4	12.4	12.4	0.0	0.0	0.0	0.0	G -
Town Centre	3,137.8	952.4	964.0	1,893.8	280.0	0.0	0.0	G G
Jacks - St Nicholas St	737.4	93.6	337.4	400.0	0.0	0.0	0.0	A A
St Nicholas Square & Balkeine Gardens	55.0	28.7	55.0	0.0	0.0	0.0	0.0	G G
Sheepen Road	4.0	3.9	4.0	0.0	0.0	0.0	0.0	G G
Sheepen Road Phase 2	2,185.3	2,100.7	2,185.3	0.0	0.0	0.0	0.0	G R
St Botolphs Public Realm	155.0	37.5	50.0	105.0	0.0	0.0	0.0	G G
East Colchester Enabling Fund	213.1	0.0	45.7	167.4	0.0	0.0	0.0	G G
Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	0.0	G G
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	G G
Moler Works Site	2.5	0.0	2.5	0.0	0.0	0.0	0.0	G G
Digital Strategy - feasibility	182.6	22.6	40.0	142.6	0.0	0.0	0.0	G G
Sport & Leisure Asset Review	120.0	0.0	0.0	120.0	0.0	0.0	0.0	G G
Grow-on former Queen St Bus Depot	64.3	33.0	64.3	0.0	0.0	0.0	0.0	G G
Broad Lane Sports Ground Wivenhoe	12.7	1.2	12.7	0.0	0.0	0.0	0.0	G G
Pre development/feasibility funds	250.0	0.0	0.0	250.0	0.0	0.0	0.0	G G
<b>TOTAL - RIF</b>	<b>36,462.0</b>	<b>7,049.2</b>	<b>7,693.6</b>	<b>26,787.0</b>	<b>1,981.4</b>	<b>0.0</b>	<b>0.0</b>	
<b>COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)</b>								
Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0	
Colchester Business Centre	2.6	2.6	2.6	0.0	0.0	0.0	0.0	
LWC - Health & Fitness Extension	16.0	15.7	16.0	0.0	0.0	0.0	0.0	
Oak Tree Community Centre Roof	20.5	0.6	20.5	0.0	0.0	0.0	0.0	
Lion Walk Activity Centre	1.4	0.5	1.4	0.0	0.0	0.0	0.0	
Garrison Gym Rebuild	29.0	32.8	32.8	0.0	0.0	0.0	3.8	
Old Heath Recreation Ground Improvements	30.3	0.0	30.3	0.0	0.0	0.0	0.0	
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0	
Relocation of Museum Resource Centre	2.0	0.0	2.0	0.0	0.0	0.0	0.0	
Replacement of Cremators	4.8	0.0	4.8	0.0	0.0	0.0	0.0	
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0	
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0	
Mercury Theatre Redevelopment Phase 2	0.1	0.1	0.1	0.0	0.0	0.0		
<b>TOTAL - Completed Schemes</b>	<b>222.3</b>	<b>77.3</b>	<b>226.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>3.8</b>	
<b>CAPITALISED MAINTENANCE</b>								
Colchester Leisure World - Boilers	165.0	165.0	165.0	0.0	0.0	0.0	0.0	
Colchester Leisure World - Charter Hall Lighting	22.6	22.6	22.6	0.0	0.0	0.0	0.0	
Natural History Museum - Tower Repairs	36.3	36.3	36.3	0.0	0.0	0.0	0.0	
Rowan House - Lift	17.7	17.7	17.7	0.0	0.0	0.0	0.0	
<b>TOTAL - Capitalised Maintenance</b>	<b>241.6</b>	<b>241.6</b>	<b>241.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>HOUSING REVENUE ACCOUNT</b>								
Housing Improvement Programme	8,993.7	7,574.5	7,893.7	1,100.0	0.0	0.0	0.0	G G
Adaptations to Housing Stock	980.5	980.5	980.5	0.0	0.0	0.0	0.0	G G
Sheltered Accommodation	350.0	320.6	350.0	0.0	0.0	0.0	0.0	G G
Housing ICT Development	477.3	0.0	477.3	0.0	0.0	0.0	0.0	G G
Council House New Build	2.8	2.8	2.8	0.0	0.0	0.0	0.0	G -
Purchase of properties - HRA	2,003.3	1,347.7	2,003.3	0.0	0.0	0.0	0.0	G G
<b>TOTAL - Housing Revenue Account</b>	<b>12,807.6</b>	<b>10,226.1</b>	<b>11,707.6</b>	<b>1,100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

£'000	Detail
<b>Revenue Contributions</b>	
288	Jacks – additional funding
(3)	Heritage Lighting – budget transferred to revenue to match spend
18	Jet washer – funded from revenue budget
35	Castle Park Improvements
24	Waste Strategy – funding for additional bins
(110)	Charter Hall Improvements – budget transferred to revenue to match spend
1	Colchester Business Centre – funding from Building Maintenance Prog.
165	Colchester Leisure World Boilers – funding from BMP
23	Charter Hall Lighting – funding from BMP
36	Natural History Museum Tower – funding from BMP
18	Rowan House Lift – funding from BMP
(11)	Relocation of MRC – budget transferred to revenue
<b>484</b>	<b>Subtotal Revenue Contributions</b>
<b>Section 106</b>	
122	Stanway Community Centre – feasibility, business plan and design
(2)	Mile End Sports Ground – budget transferred to revenue
<b>120</b>	<b>Subtotal Section 106</b>
<b>External Funding</b>	
40	Castle Park Improvements – ECC contribution for Changing Places
<b>40</b>	<b>Subtotal External Funding</b>
<b>Borrowing</b>	
720	Colchester Northern Gateway Heat Network
<b>720</b>	<b>Subtotal Borrowing</b>
<b>RIF Budgets</b>	
(241)	Various RIF budgets transferred to revenue account to match spend
<b>(241)</b>	<b>Subtotal RIF budgets</b>
<b>1,123</b>	<b>Total Change</b>

Scheme	Forecast for year £'000	2018/19 Spend £'000	Commentary
<b>Communities</b>			
Mercury Theatre	999	832	The funding package for the main construction project has been secured. The Mercury's fundraising is ongoing. The Mercury are moving out in preparation for works to start of the main building. Works are on programme.
<b>Environment</b>			
Waste Fleet	2,200	2,096	The specification and order have been placed for 34 waste vehicles to the value of £4.6m. By purchasing vehicles rather than leasing them, significant annual revenue savings will be generated.
<b>Policy &amp; Corporate</b>			
Equity Investment in Housing Company	1,500	0	Cabinet agreed equity investment in CCHL (Colchester Commercial Holdings Limited). Timing of investment is linked to finalising loan agreement and is now expected late May/early June.
Purchase of Properties for Temporary Accommodation	2,880	2,826	This project was to purchase 16 properties to use as temporary accommodation for homeless households, as agreed by Cabinet in January 2018. The project completed within the year with all 16 purchases, and within budget.
Northern Gateway Heat Network	1,289	0	Cabinet on 15 <sup>th</sup> March 2017, approved a proposal to create a heat network and supporting infrastructure on sites at northern gateway. An update on the project and proposed structure to deliver the scheme was considered by Cabinet in January 2019. Borehole testing will take place through May and June and a further paper will be going to Cabinet in September 2019 setting out the options for taking the project forwards.
Northern Gateway - Sports Hub	2,500	2,551	Site works are now underway after satisfaction of some planning conditions. S278 works in design. Liaison with funders is ongoing. Contractor onsite continuing on drainage works as well as a start of the foundation of the buildings.



<b>Scheme</b>	<b>Forecast for year £'000</b>	<b>2018/19 Spend £'000</b>	<b>Commentary</b>
Sheepen Road Phase 2	2,185	2,100	The second office building at Amphora completed on-time to enable the tenant to carry out their fit out works and take occupancy by April 2019. The original budget did not fully allow for all costs of this project and, following a review, an increase occurred as agreed by RIF in January 2019. However, the project still shows a healthy return on capital invested and a tenant has been secured with a rental income stream for the next 15 years.
<b>Housing Revenue Account</b>			
Housing Improvement Programme	7,894	7,757	Programme to maintain and improve the council housing stock to the Colchester Standard, the programme is devised using information from the Council's 30-year Asset Management Strategy, which has recently been updated to realign it with the revised Housing Revenue Account (HRA) business plan. Work was carried forward from 2017/18 that brought a backlog that was completed in the first half of the year using newly procured contractors. The 2018/19 programme has slipped due to a delay in the Government's fire door testing (providing a compliant door we can install), an underperforming contractor and an unsuccessful bathroom tender.

Scheme	Forecast for year £'000	2018/19 Spend £'000	Commentary
<b>Housing Revenue Account</b>			
Purchase of HRA Properties	2,003	1,348	Eight Right to Buy Back purchases were completed in the year and utilised the Right to Buy receipts for 30% of the overall costs in accordance to Government criteria. This pilot is now agreed to continue for up to 10 properties a year over the next five years.
Adaptations	980	980	Additional budget was put into adaptations in order to tackle a backlog of people waiting for this work to their properties. This work was then completed to budget, meeting the need identified for the year.

Scheme	Forecast for year £'000	2018/19 Spend £'000	Commentary
<b>Communities</b>			
Disabled Facilities Grants (DFG)	600	479	<p>Mandatory grant to pay for adaptations to enable disabled persons to remain living at home with increased independence. Spend has been below expected levels this year due to capacity issues within the team and difficulty recruiting to vacant posts. Use has been made of external specialist surveyors as an interim measure and the team is now fully-staffed for the first time, moving into 2019/20. In addition a specialist in-house occupational therapist has been recruited to the team to expedite complex cases moving forward. There are currently 195 live cases progressing (including a number of ‘maximum spend’ grants £30k) with no cases awaiting allocation. 42 of these are at initial enquiry phase and may not progress to full applications pending confirmation of customer financial contributions.</p> <p>62 DFG cases were completed in 2018/19, (compared to 80 at year end 2017/18). Commitment pending completion of current works stands at £325k.</p>
<b>Environment</b>			
Shrub End Depot	0	0	<p>Preliminary works have been undertaken to provide sufficient space for staff in the new Neighbourhoods Service to co-locate at Shrub End. Project planning has commenced for the remaining redevelopment works to make the Depot fit for the future. Budget now re-profiled to 2019/20 onwards.</p>

Scheme	Forecast for year £'000	2018/19 Spend £'000	Commentary
<b>Revolving Investment Fund</b>			
Northern Gateway - Sports Hub	2,500	2,551	See earlier comment
Northern Gateway South	178	148	Turnstone scheme under discussion to meet occupier demand in current market. The CNG Drainage Project is now complete and the system commissioned.
Jacks – St Nicholas St	337	94	Engineering works are underway to make the property safe and secure to hand over to the tenant for further fit-out works, beginning in December 2019.