

7 March 2019

Report of	Assistant Director Policy and Corporate	Author	Margaret Donaldson ☎ 282338
Title	Capital Expenditure Monitor 2018/19 – April to December 2018		
Wards affected	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 first nine months of 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 are 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 Committee 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, as part of the Council's consideration of the 2018/19 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 This quarterly review is especially important as it provides sufficient time for remedial action to be taken both in the approach to the end of the financial year and to inform the capital programme financial planning for future years.
- 4.3 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.
- 4.4 Any significant variances from planned financial and non-financial activity is reported to the Committee in the following paragraphs.

5 Quarterly Capital Monitoring Position

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

	Total Prog.	2018/19 Spend Qtr 3	2018/19 Forecast	Future Years Forecast	(Surplus) / Shortfall
Service / Scheme	£'000	£'000	£'000	£'000	£'000
Communities	11,004	761	1,943	9,061	0
Environment	6,391	69	2,342	4,049	0
Policy & Corporate	45,870	2,258	6,790	39,080	0
Revolving Investment Fund (RIF)	36,510	4,834	7,861	28,649	0
Completed Schemes	231	81	231	0	0
Housing Revenue Account	12,808	5,934	11,708	1,100	0
Total Capital Programme	112,814	13,937	30,875	81,939	0

- 5.2 Accrued capital expenditure for the first nine months of the financial year totalled £13.937m. This represents 45.1% of the projected capital programme spend for 2018/19. This compares to 52% for the same period in 2017/18.
- 5.3 A forecast net overspend of £7k was reported to Scrutiny Panel on 27 November 2018. This was in turn referred to Cabinet in January 2019 and has been addressed. No over/underspends are forecast at Quarter 3.

- 5.4. **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 2 review of the programme by Scrutiny Panel in November 2018, the Programme has increased by £2.809m, the material changes are detailed below:
- Colchester Northern Gateway Sports Hub – increased funding of £1.28m agreed by Cabinet on 21 November 2018;
 - Waste Review Vehicles – increased funding of £912.2k to reflect the replacement of 34 vehicles for refuse and street cleaning services.
 - Mercury Theatre Project – increased external funding of £978k; and
 - RIF budgets - Net reduction of £772.5k agreed by RIF Committee on 16 January 2019.
- 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 approaches project managers were asked to reassess each schemes RAG status and consider the level of planned expenditure to be undertaken by the end of the financial year. The impact on the following three years capital programme will be reported as part of the 2018/18 capital outturn report.
- 5.11. A further review this quarter has resulted in one RIF scheme changing from 'Amber' to 'Green' and one scheme changing from 'Red' to 'Green'. The following table details the changes and the accompanying project managers comments:

Scheme	Total Scheme Forecast £'000	2018/19 Q3 RAG Rating	2018/19 Q2 RAG Rating	Comments
Digital Strategy Feasibility	183	Green	Amber	£3.5m external funding now secured.
Sheepen Road Phase 2	2,204	Green	Red	Additional funding allocated by RIF Committee.
CMP Phase 3 – PV Panels	95	Green	Amber	Funding allocated to providing PV Panels on the new Production Block at the Mercury Theatre.
Jacks – St Nicholas St	337	Amber	Green	There is a need to carry out further structural studies which may impact on the timescales and cost of the project. Further work is being carried out to confirm the position and at this stage the scheme is flagged as amber pending the outcome of this work.

6. Standard References

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

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 Q3 £'000	Projected Expenditure				(Surplus) / Shortfall £'000	RAG Status	
			2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000		Q3	Q2
SUMMARY									
Communities	11,004.5	760.5	1,943.3	7,137.3	1,851.3	72.6	0.0		
Environment	6,390.6	69.0	2,341.9	3,697.5	351.2	0.0	0.0		
Policy & Corporate	45,870.4	2,258.4	6,789.6	33,069.6	6,011.2	0.0	0.0		
Revolving Investment Fund (RIF)	36,510.3	4,833.8	7,861.0	26,667.9	1,981.4	0.0	0.0		
Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0		
Total (General Fund)	100,007.2	8,003.0	19,167.2	70,572.3	10,195.1	72.6	0.0		
Housing Revenue Account	12,807.6	5,934.2	11,707.6	1,100.0	0.0	0.0	0.0		
Total Capital Programme	112,814.8	13,937.2	30,874.8	71,672.3	10,195.1	72.6	0.0		
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	2.9	48.5	0.0	0.0	0.0	0.0	G	G
Collingwood Road Scout Hut	158.2	41.6	158.2	0.0	0.0	0.0	0.0	G	G
Headway Essex S106	10.0	0.0	10.0	0.0	0.0	0.0	0.0	G	-
Walls - new merged scheme	126.5	16.6	22.5	60.0	44.0	0.0	0.0	G	G
Heritage Lighting	200.0	0.0	0.0	200.0	0.0	0.0	0.0	G	-
Mercury Theatre Redevelopment Phase 2	7,368.7	389.1	1,000.0	5,618.7	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	300.2	600.0	1,100.0	957.3	0.0	0.0	A	A
Private Sector Renewals - Loans and Grants	287.6	10.1	15.0	100.0	100.0	72.6	0.0	G	G
TOTAL - Communities	11,004.5	760.5	1,943.3	7,137.3	1,851.3	72.6	0.0		
ENVIRONMENT									
Shrub End Depot	1,040.5	0.0	0.0	840.5	200.0	0.0	0.0	A	A
Waste Collection Strategy	17.7	0.0	17.7	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	0.0	2,200.0	2,561.0	151.2	0.0	0.0	G	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	192.7	11.0	21.7	171.0	0.0	0.0	0.0	G	G
Mile End Sports Ground	22.5	19.0	22.5	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	6,390.6	69.0	2,341.9	3,697.5	351.2	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	224.7	671.7	522.1	152.2	0.0	0.0	G	G
Purchase of properties for temporary accommodation	2,880.0	1,904.6	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
Equit investment in CAEL	80.0	0.0	80.0	0.0	0.0	0.0	0.0	G	-
District Heating Project North	137.1	25.3	137.1	0.0	0.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	1,300.0	3,700.0	900.0	0.0	0.0	G	G
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0	G	G
Charter Hall - improvements	109.7	103.8	109.7	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	45,870.4	2,258.4	6,789.6	33,069.6	6,011.2	0.0	0.0		

REVOLVING INVESTMENT FUND								
Northern Gateway North	89.5	32.8	89.5	0.0	0.0	0.0	0.0	G
CNGN - Mile End Cricket	122.2	108.2	122.2	0.0	0.0	0.0	0.0	G
CNGN - Sports Hub	24,481.4	1,679.9	2,500.0	20,280.0	1,701.4	0.0	0.0	A
Northern Gateway South	204.0	182.0	204.0	0.0	0.0	0.0	0.0	A
CNGS - Detailed Planning	923.8	324.2	923.8	0.0	0.0	0.0	0.0	G
CNGS - Boulevard	3,471.2	0.0	100.0	3,371.2	0.0	0.0	0.0	G
CNG - Marketing & Branding	11.5	11.5	11.5	0.0	0.0	0.0	0.0	G
Town Centre	3,435.3	986.1	1,076.0	2,079.3	280.0	0.0	0.0	G
Jacks - St Nicholas St	337.4	52.9	337.4	0.0	0.0	0.0	0.0	A
St Nicholas Square & Balkerne Gardens	55.0	28.7	55.0	0.0	0.0	0.0	0.0	G
Sheepen Road	4.0	4.0	4.0	0.0	0.0	0.0	0.0	G
Sheepen Road Phase 2	2,204.0	1,372.7	2,204.0	0.0	0.0	0.0	0.0	R
St Botolphs Public Realm	155.0	0.8	50.0	105.0	0.0	0.0	0.0	G
East Colchester Enabling Fund	214.7	0.0	47.3	167.4	0.0	0.0	0.0	G
Breakers Park	69.0	0.0	12.0	57.0	0.0	0.0	0.0	G
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	G
Moler Works Site	2.5	0.0	2.5	0.0	0.0	0.0	0.0	G
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0	A
Digital Strategy - feasibility	182.6	17.7	40.0	142.6	0.0	0.0	0.0	A
Sport & Leisure Asset Review	120.0	0.0	0.0	120.0	0.0	0.0	0.0	-
Grow-on former Queen St Bus Depot	64.3	32.3	64.3	0.0	0.0	0.0	0.0	-
Broad Lane Sports Ground Wivenhoe	12.7	0.0	12.7	0.0	0.0	0.0	0.0	-
Pre development/feasibility funds	250.0	0.0	0.0	250.0	0.0	0.0	0.0	-
TOTAL - RIF	36,510.3	4,833.8	7,861.0	26,667.9	1,981.4	0.0	0.0	
COMPLETED SCHEMES (OR WHERE RETENTION ONLY OUTSTANDING)								
Creative Business Centre	0.6	0.0	0.6	0.0	0.0	0.0	0.0	
Colchester Business Centre	1.8	1.8	1.8	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	0.0	1.4	0.0	0.0	0.0	0.0	
Garrison Gym Rebuild	29.0	28.0	29.0	0.0	0.0	0.0	0.0	
Old Heath Recreation Ground Improvements	30.3	0.2	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	13.3	11.3	13.3	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	(1.3)	(1.3)	-1.3	0.0	0.0	0.0		
TOTAL - Completed Schemes	231.4	81.3	231.4	0.0	0.0	0.0	0.0	
HOUSING REVENUE ACCOUNT								
Housing Improvement Programme	9,159.0	3,948.0	8,059.0	1,100.0	0.0	0.0	0.0	G
Adaptations to Housing Stock	818.0	609.6	818.0	0.0	0.0	0.0	0.0	G
Sheltered Accommodation	350.0	320.4	350.0	0.0	0.0	0.0	0.0	G
Housing ICT Development	477.3	1.0	477.3	0.0	0.0	0.0	0.0	G
Purchase of properties - HRA	2,003.3	1,055.2	2,003.3	0.0	0.0	0.0	0.0	G
TOTAL - Housing Revenue Account	12,807.6	5,934.2	11,707.6	1,100.0	0.0	0.0	0.0	

£'000	Detail
Revenue Contributions	
2	Colchester Business Centre
(100)	Open Space Provision – remove budget
200	Heritage Lighting
80	Equity investment in Colchester Amphora Energy Ltd
(11)	Shrub End Fuel Tank
171	Subtotal Revenue Contributions
Section 106	
(8)	Cook's Shipyard Playground – transfer S106 to revenue
10	Headway Essex
515	Colchester Northern Gateway Sports Hub
517	Subtotal Section 106
External Funding	
(262)	Colchester Northern Gateway Sports Hub
978	Mercury Theatre
716	Subtotal External Funding
Capital Receipts	
(420)	Colchester Northern Gateway Sports Hub
200	Shrub End Depot
25	Garrison Gym
13	Relocation of Museum Resource Centre
(772)	Review and reallocation of various RIF budgets
(954)	Subtotal Capital Receipts & Borrowing
Borrowing	
1,447	Colchester Northern Gateway Sports Hub
912	Waste Review Vehicles
2,359	Subtotal Borrowing
2,809	Total Change

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Communities			
Mercury Theatre	1,000	389	The funding package for the main construction project has been secured. The Mercury's fundraising is ongoing. Demolition and archaeology are now complete and the main contract works are on site and are on programme.
Environment			
Waste Fleet	2,200	0	The specification and order has 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.
Policy & Corporate			
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.
Purchase of Properties for Temporary Accommodation	2,880	1,905	This project is to purchase 16 properties to use as temporary accommodation for homeless households, as agreed by Cabinet in January 2018. 11 properties have been purchased up to the end of quarter 3. Five more properties are going through the legal process with completions due in January 2019. At the end of quarter 3, £1.905m had been spent and £875k had been committed, but it should be noted that this excludes any final works required to the properties to bring them up to a lettable standard.
Northern Gateway Heat Network	1,300	0	Cabinet on 15th 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. A further paper will be going to Cabinet in March 2019 setting out the options for taking the project forwards.
Northern Gateway - Sports Hub	2,500	1,680	Main contractor now appointed. Some site works now underway but rest pending satisfaction of planning conditions. Advanced pitch works complete. S278 works in design. Liaison with funders ongoing. Contractor to provide spend profile asap.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Town Centre	1,076	986	Enabling monies to support regeneration projects in the Town Centre. Already acquired a group of properties in Osborne Street/ Arthur Street/Vineyard St and continue to purchase further properties as part of the Council's long term for this area. £1.2m budget reallocated to other RIF schemes as approved by RIF Committee.
Sheepen Road Phase 2	2,204	1,373	The second office building at Amphora is well underway with expected completion early 2019 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 is now forecast. In addition, due to the constrained nature of the site, costs have increased such as relocation of services, increased statutory utility cost and legal agreement costs. 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. RIF Committee agreed additional funding on 16 January 2019.
Housing Revenue Account			
Housing Improvement Programme	8,059	3,948	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 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. There is currently a commitment of £6.341m but a £1.3m slippage is forecast at Year End. The recent heating tender did achieve a saving of £200k, leaving works of £1.1m expected to be carried forward and completed by 30th June 2019.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Housing Revenue Account			
Purchase of HRA Properties	2,003	1,055	During Q1 three properties were purchased. During Q2 another property was purchased for the HRA. During Q3 3 properties were being progressed and two of these completed, whilst one is still under progression. We have utilised the right to buy receipts for 30% of the overall costs in accordance to Government criteria. That means 6 have completed and 1 more is close so far this year.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Communities			
Disabled Facilities Grants	600	300	Mandatory grant to pay for adaptations to enable disabled persons to remain living at home with increased independence. The 2018/19 budget has been reprofiled to reflect expenditure to date and future expenditure assumptions based on a similar Better Care Fund allocation being received in future years. Spend has been slow this year due to lack of staff resources, with reliance on the use of an external specialist surveying company. However, the team is now fully staffed, and cases are now progressing well, but there is a time lag to get properties inspected, grant applications completed, money committed and works completed and the grant paid, with many factors outside of CBC control. The effect of increased staffing will be seen more fully in 2019/20. Completed 53 DFG cases to date, compared to 80 at year end 2017/18. Commitment stands at £300k. If the majority of committed cases are completed and paid, combined with in house staffing costs and external surveying costs, expenditure should be approx. £600 - £650k at year end.
Environment			
Shrub End Depot	0	0	Whilst there is not currently a financial risk, discussions with ECC are ongoing with regard to the potential redevelopment of the Recycling Centre for Household waste at Shrub End. Negotiations on land are also ongoing between the Council and ECC. The outcomes of these will feed into the options for the Council's Depot development alongside other potential sites. Budget re-profiled to 2019/20.

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 3 £'000	Commentary
Revolving Investment Fund			
Northern Gateway - Sports Hub	2,500	1,680	See earlier comment
Northern Gateway South	204	182	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	53	See earlier comment