

4 September 2018

Report of	Assistant Chief Executive	Author	Margaret Donaldson ☎ 282338
Title	Capital Expenditure Monitor 2018/19 – April 2018 to June 2018		
Wards affected	Not applicable		

1 Executive Summary

- 1.1 The Panel is invited to review the progress against all capital schemes during the first three months of 2018/19.

2 Action Required

- 2.1 To review the progress of the schemes included in the capital programme, the associated spend for the first three months of the financial year, and the budget forecasts for 2018/19 and future years.
- 2.2 Note the requirement for the Council to prepare and publish a Capital Strategy to be in place for the 1st April 2019.

2 Reason for scrutiny

- 2.1 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, and
 - the Council maximises its available capital resources, supporting the Council's Treasury Management Strategy and associated statutory requirements.
 - Members have assurance that the key risks associated with the capital programme are being managed to ensure efficient and effective delivery of the programme.
- 2.2 This report also gives the Committee the opportunity to hold Service Managers and Portfolio Holders accountable for their budgets and project delivery.

3 Background

- 3.1 The Council's capital programme includes capital expenditure in relation to the delivery of General Fund services, as well as capital expenditure in respect of the Housing Investment Programme, including expenditure on the Council's housing stock. It also includes the capital projects that form part of the Revolving Investment Fund (RIF).
- 3.2 It should be noted that the Capital Programme mainly consists of schemes where spending is planned across more than one year. Financial variances on schemes can arise as a result of reprofiling:
- of scheme budgets into the following financial year to reflect scheme progress on site,
 - to reflect changes in timing of payments, and
 - additional budget requirements due to changes in the nature of the scheme or unforeseen costs.

3.3 Any significant divergences from planned financial and non-financial activity would be brought to the Committees attention in the following paragraphs.

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

	Total Prog.	2018/19 Spend Qtr 1	2018/19 Forecast	Future Years Forecast	(Surplus) / Shortfall
Service / Scheme	£'000	£'000	£'000	£'000	£'000
Communities	7,095	(40)	2,991	4,104	0
Environment	7,853	79	6,196	1,657	0
Policy and Corporate	39,536	258	10,737	28,799	0
Revolving Investment Fund	31,775	642	17,304	14,471	0
Completed Schemes	121	15	121	0	0
Housing Revenue Account	12,808	2,820	12,808	0	0
Total Capital Programme	99,188	3,774	50,157	49,031	0

3.5 Accrued capital spending for the first three months of the year totalled £3.8 million. This represents 7.5% of the projected spend for 2018/19. **Appendix A** sets out details of spending on all schemes, along with expenditure forecasts provided by budget managers to provide an indication of progress against their expectations for schemes in monetary terms.

3.6 The capital programme has been adjusted to reflect the financial impact of the 2017/18 capital outturn, and has been increased by £16.7m this quarter to fund the 2018/19 Housing Investment Programme (£8.3m), Disabled Facilities Grants (£1.2m), funding for RTB paybacks as approved by Cabinet (£1.5m) and the funding of the Mercury Theatre Phase 2 (£5.5m) as well as various S106 and grant amounts. These changes to the Capital Programme are shown in **Appendix B**.

3.7 As detailed in the table above £32.8m of the capital programme reflects expenditure on traditional Council schemes directly supporting direct service delivery. These schemes are primarily fully funded from grant and s106 contributions. The remaining £66.4m of the capital programme comprises of either financial support to the Council's recently formed companies or schemes in progress through the Revolving Investment Fund; which bring with them a complex mix of funding, development management and can involve a number of Council partners to deliver the required outcomes.

3.8 These 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. Expenditure can be the responsibility of a number of organisations, resulting in complex accounting, management and governance arrangements.

3.9 Where relevant the report will identify these complex risks and identify management action to mitigate key risks.

3.10 The most significant areas of planned expenditure for the year are detailed in **Appendix C**, along with the actual expenditure and updated commentary from budget holders.

3.11 **Appendix A** includes a RAG (Red, Amber, and Green) status of overall project performance against capital schemes. There are no changes to the RAG status position as reported at quarter 4 of 2017/18. Although there are no 'Red' schemes, a total of five schemes were classed as 'Amber' by the budget managers. The current position against these schemes is detailed in **Appendix D** to this report.

4 The Way Forward

- 4.1 As a result of the change in the nature of Local Authorities traditional capital expenditure plans, to more complicated asset investments in property (within and out with the district), LA Companies and collaborative arrangements with public and private sector partners; Central Government have raised concerns over the adequacy of risk assessment and robust financial/non-financial reporting to approve and monitor such arrangements. This has resulted in a statutory change requiring each Council to prepare and publish a robust 'Capital Strategy' which will underpin the Council's annual budget decision making and tax setting decisions, the Medium Term Financial Plan and Treasury Management Strategy. The Council's 'Capital Strategy' needs to be in place for 1st April 2019.
- 4.2 The capital programme reported in this paper will provide the supporting detail for the preparation of a robust capital strategy which as a minimum should cover a period of 5 years. Therefore it is important that the capital programme is complete, accurate and includes timely financial and non-financial information for Members to assess whether the Council's capital strategy is being achieved, the Council's identified appetite for investment risk is not being exceeded and the risks identified in the strategy are effectively managed to deliver the Council's objectives.
- 4.3 Officers will be reporting a draft 'Capital Strategy' to Scrutiny panel in January 2019, alongside the relevant budget papers for 2019/20 onwards.

5 Strategic Plan references

- 5.1 The Council's Capital Programme is aligned to the Strategic Plan.

6 Financial implications

- 6.1 Within the details of this report.

7 Risk management implications

- 7.1 Risk management issues are considered as part of individual capital projects. Currently the key risk within the capital programme as reported relates to the finalisation of funding arrangements to enable key schemes primarily within the RIF to progress. Relevant officers are endeavouring to formalise funding arrangements where necessary. The position is being continuously monitored.

8 Other standard references

- 8.1 Having considered consultation, publicity, equality, diversity and human rights, community safety, and health and safety implications, there are none that are significant to the matters in this report.

Background papers - None

Capital Programme 2018/19 to 2023/24

Appendix A

Projected Expenditure										
	Total Programme	Spend to Q1	2018/19	2019/20	2020/21	2021/22	2022-24	(Surplus) / Shortfall	RAG Status	
Service / Scheme	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	2018/19 Q1	2017/18 Q4
SUMMARY										
Communities	7,094.8	(40.0)	2,990.8	4,104.0	0.0	0.0	0.0	0.0		
Environment	7,853.1	78.5	6,195.8	801.0	856.3	0.0	0.0	0.0		
Policy & Corporate	39,536.2	258.1	10,737.2	11,253.0	11,301.0	6,120.0	125.0	0.0		
Revolving Investment Fund (RIF)	31,775.0	642.3	17,304.0	14,241.0	230.0	0.0	0.0	0.0		
Completed Schemes	120.9	15.2	120.9	0.0	0.0	0.0	0.0	0.0		
Total (General Fund)	86,380.0	954.1	37,348.7	30,399.0	12,387.3	6,120.0	125.0	0.0		
Housing Revenue Account	12,807.6	2,819.8	12,807.6	0.0	0.0	0.0	0.0	0.0		
Total Capital Programme	99,187.6	3,773.9	50,156.3	30,399.0	12,387.3	6,120.0	125.0	0.0		
COMMUNITIES										
Cook's Shipyard Playsite Wivenhoe S106	7.6	0.0	7.6	0.0	0.0	0.0	0.0	0.0	G	G
Wivenhoe Adult Gym	16.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	G	G
Castle Park Cricket Pavilion Extension S106	125.0	0.0	125.0	0.0	0.0	0.0	0.0	0.0	G	G
Castle Park Improvements	192.7	0.0	192.7	0.0	0.0	0.0	0.0	0.0	G	G
Tiptree P C - Store & WCs S106	83.0	0.0	83.0	0.0	0.0	0.0	0.0	0.0	G	G
St Luke's Church Hall Tiptree	48.5	0.9	48.5	0.0	0.0	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	0.0	G	-
Highwoods Country Park - Coffee Shop improvements	25.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0	G	G
Walls - new merged scheme	126.5	0.4	22.5	104.0	0.0	0.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 1	63.7	(61.6)	63.7	0.0	0.0	0.0	0.0	0.0	G	G
Mercury Theatre Redevelopment Phase 2	6,325.7	1.3	2,325.7	4,000.0	0.0	0.0	0.0	0.0	G	G
Cemetery Extension	38.6	0.0	38.6	0.0	0.0	0.0	0.0	0.0	G	G
Cemetery Exterior Lighting	20.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Communities	7,094.8	(40.0)	2,990.8	4,104.0	0.0	0.0	0.0	0.0		
ENVIRONMENT										
Shrub End Depot - new baler and shed	840.5	0.0	840.5	0.0	0.0	0.0	0.0	0.0	A	A
Waste Collection Strategy	17.7	1.5	17.7	0.0	0.0	0.0	0.0	0.0	G	G
Shrub End - Fuel Tank	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	G	G
Waste Fleet Vehicles	4,000.0	0.0	4,000.0	0.0	0.0	0.0	0.0	0.0	G	-
Mandatory Disabled Facilities Grants	2,657.3	77.0	1,000.0	801.0	856.3	0.0	0.0	0.0	A	A
Private Sector Renewals - Loans and Grants	287.6	0.0	287.6	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Environment	7,853.1	78.5	6,195.8	801.0	856.3	0.0	0.0	0.0		
POLICY & CORPORATE										
Assistance to Registered Housing Providers	36.0	0.0	36.0	0.0	0.0	0.0	0.0	0.0	G	G
Use of 1-4-1 Right to Buy Receipts	1,346.0	0.0	700.0	646.0	0.0	0.0	0.0	0.0	G	G
Purchase of properties for temporary accommodation	2,880.0	215.0	2,880.0	0.0	0.0	0.0	0.0	0.0	G	G
Lending to new Council Housing Company	28,760.0	0.0	3,507.0	7,707.0	11,301.0	6,120.0	125.0	0.0	G	G
District Heating Project North	137.1	3.4	137.1	0.0	0.0	0.0	0.0	0.0	G	G
Colchester Northern Gateway Heat Network	5,900.0	0.0	3,000.0	2,900.0	0.0	0.0	0.0	0.0	G	G
Local Authority Carbon Management (LACM)	82.2	0.0	82.2	0.0	0.0	0.0	0.0	0.0	G	G
CCTV Monitoring	111.1	0.0	111.1	0.0	0.0	0.0	0.0	0.0	G	G
Open Space Provision	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	G	G
Charter Hall - improvements	109.7	39.7	109.7	0.0	0.0	0.0	0.0	0.0	G	G
LWC - Aqua Springs Refurbishment	74.1	0.0	74.1	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Policy & Corporate	39,536.2	258.1	10,737.2	11,253.0	11,301.0	6,120.0	125.0	0.0		

Service / Scheme	Total Programme	Spend to Q1	Projected Expenditure					(Surplus) / Shortfall	RAG Status	
			2018/19	2019/20	2020/21	2021/22	2022-24		2018/19	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Q1	Q4
REVOLVING INVESTMENT FUND										
Northern Gateway North	119.8	16.0	119.8	0.0	0.0	0.0	0.0	0.0	G	G
CNGN - Mile End Cricket	122.2	101.5	122.2	0.0	0.0	0.0	0.0	0.0	G	G
CNGN - Sports Hub	23,201.4	243.5	12,591.4	10,610.0	0.0	0.0	0.0	0.0	A	A
Northern Gateway South	268.3	(99.7)	268.3	0.0	0.0	0.0	0.0	0.0	A	A
CNG - Marketing & Branding	81.3	0.0	81.3	0.0	0.0	0.0	0.0	0.0	G	G
Town Centre	4,715.6	301.4	950.0	3,535.6	230.0	0.0	0.0	0.0	G	G
Jacks - St Nicholas St	312.4	8.6	312.4	0.0	0.0	0.0	0.0	0.0	G	G
St Nicholas Square	35.0	0.0	35.0	0.0	0.0	0.0	0.0	0.0	G	-
Sheepen Road	138.2	(36.2)	138.2	0.0	0.0	0.0	0.0	0.0	G	G
Sheepen Road Phase 2	2,001.2	100.5	2,001.2	0.0	0.0	0.0	0.0	0.0	G	G
St Botolphs Public Realm	155.0	0.0	155.0	0.0	0.0	0.0	0.0	0.0	G	-
East Colchester Enabling Fund	217.4	0.0	217.4	0.0	0.0	0.0	0.0	0.0	G	G
Breakers Park	69.0	0.0	69.0	0.0	0.0	0.0	0.0	0.0	G	G
Surface Water Flooding - Distillery Lane/Haven Road	21.4	0.0	21.4	0.0	0.0	0.0	0.0	0.0	A	A
Site Disposal Costs	4.8	0.0	4.8	0.0	0.0	0.0	0.0	0.0	G	G
Moler Works Site	2.5	(0.6)	2.5	0.0	0.0	0.0	0.0	0.0	G	G
CMP Phase 3 - PV Systems	95.4	0.0	0.0	95.4	0.0	0.0	0.0	0.0	G	G
Business Broadband	19.1	0.0	19.1	0.0	0.0	0.0	0.0	0.0	G	G
Digital Strategy - feasibility	195.0	7.3	195.0	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - RIF	31,775.0	642.3	17,304.0	14,241.0	230.0	0.0	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	0.0		
Colchester Business Centre	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0		
LWC - Health & Fitness Extension	21.5	0.0	21.5	0.0	0.0	0.0	0.0	0.0		
LWC - Leisure Pool Refurbishment	4.9	(7.1)	4.9	0.0	0.0	0.0	0.0	0.0		
Oak Tree Community Centre Roof	20.5	0.0	20.5	0.0	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	0.0		
Garrison Gym Rebuild	4.0	9.3	4.0	0.0	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	0.0		
Longridge Toddler Play Area	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0		
Relocation of Museum Resource Centre	0.1	(14.0)	0.1	0.0	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	0.0		
St Johns Car Park	7.8	0.0	7.8	0.0	0.0	0.0	0.0	0.0		
TOTAL - Completed Schemes	120.9	15.2	120.9	0.0	0.0	0.0	0.0	0.0		
HOUSING REVENUE ACCOUNT										
Housing Improvement Programme	9,595.0	1,874.9	9,595.0	0.0	0.0	0.0	0.0	0.0	G	G
Adaptations to Housing Stock	618.0	315.9	618.0	0.0	0.0	0.0	0.0	0.0	G	G
Sheltered Accommodation Review	114.0	90.6	114.0	0.0	0.0	0.0	0.0	0.0	G	G
Housing ICT Development	477.3	3.4	477.3	0.0	0.0	0.0	0.0	0.0	G	G
Council House New Build	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	G	G
Purchase of properties - HRA	2,003.3	535.0	2,003.3	0.0	0.0	0.0	0.0	0.0	G	G
TOTAL - Housing Revenue Account	12,807.6	2,819.8	12,807.6	0.0	0.0	0.0	0.0	0.0		

£'000	Detail
Capital Receipts	
155	St Botolphs Public Realm
1,900	Housing Investment Programme 2018/19
451	Purchase of Properties – HRA
2,506	Subtotal Capital Receipts
Revenue Contributions	
10	St Nicholas Square & Jumbo – from balances
22	Mile End Sports Ground
7	Mile End Pavilion – building maintenance plan
6,061	Housing Investment Programme 2018/19
(10)	Cemetery Lighting reduction in funding required.
6,090	Subtotal Revenue Contributions
Section 106	
1,402	Purchase of Properties - HRA
1,402	Subtotal Section 106
External Funding	
5,521	Mercury Theatre Phase 2 (Essex CC, SELEP, Arts Council)
1,186	Disabled facilities Grants – Government Grant
6,707	Subtotal External Funding
16,705	Total Change

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Communities			
Mercury Theatre Phase 2	2,325	1	Funding from Arts Council England (£3.521m, Essex County Council (£1m) and SELEP (£1m) is now confirmed and has been added to the budget. Cabinet on 11 July 2018 delegated authority to award the works contract to the Chief Operating Officer in consultation with the Portfolio Holder for Business and Culture. There is a high degree of confidence that the full funding package will be in place. The Mercury Theatre has a fundraising target of circa £2m for its own works on the project. The expenditure profile may change when actual tender values are known.
Environment			
Waste Fleet	4,000	0	The specification and order has been placed for 25 waste vehicles to the value of £3.9m. By purchasing vehicles rather than leasing them significant annual revenue savings will be generated.
Shrub End Depot	840	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 Estates and ECC. The outcomes of these will feed into the options for the Council's Depot development alongside other potential sites.

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Policy & Corporate			
Lending to New Housing Company	3,507	0	Full Council on the 21 st February 2018, approved lending to the Council's Housing Company of £28.8m to support housing development as set out in the CCHL business plan. Timing of the actual payments to be confirmed and is subject to approval of proposed lending.
Purchase of Properties for Temporary Accommodation	2,880	215	This project is to purchase 16 properties to use as temporary accommodation for homeless households. One property has been purchased in quarter 1. Offers have been made and accepted on 6 more properties resulting in a financial commitment of £1.06m.
Revolving Investment Fund			
Northern Gateway - Sports Hub	12,591	243	Detailed planning consent now received subject to around 50 planning conditions. Contractor in the process of being appointed for the grass pitches. Main tenders to be returned October 2018. A report will be taken to Cabinet on 30 November 2018, aiming for a start on site early in the New Year. Archaeologists have completed work on the grass pitch area.
Town Centre	1,000	301	Enabling monies to support regeneration projects in the Town Centre. Already acquired a group of properties in Osborne Street and Arthur Street and continue to purchase further properties as part of the Council's long term plans to deliver a scheme in Vineyard Gate.
Northern Gateway Heat Network	3,000	0	Cabinet on 15th March 2017, approved a proposal to create a heat network and supporting infrastructure on sites at northern gateway. Construction will be undertaken by Colchester Amphora Energy Ltd. Borehole investigations are continuing. State aid advice is suggesting a 2 company structure to separate use of Heat Network Investment Project (HNIP) grant and Renewable Heating Incentive (RHI) income - expecting to receive final report by mid August. This may lead to further tax advice being sought. The timing of tenders for scheme design to RIBA 3 is dependent on the outcome of the borehole investigations.

Capital Programme – Significant areas of spend 2018/19

Scheme	Forecast for year £'000	2018/19 Spend Qtr. 1 £'000	Commentary
Amphora Place Phase 2	2,001	100	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.
Housing Improvement Programme	9,595	1,875	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. The work carried forward from 2017/18 has been completed using newly procured contractors. Contracts have been let on a 1 year contract with the option to extend for a further year. The 2018/19 programme is slightly behind due to the 2017/18 work taking precedence but an action plan is in place to be back on programme by the end of Q2. Further procurement has been planned to complete the 5 year plan with a view to contracts starting in either 2019 or 2020. Contracts will be let individually in order to encourage smaller, local contractors to bid for work and not to be in a position whereby the delivery of multiple elements is based on the performance of one contractor.

Capital Programme – ‘Amber’ schemes April to June 2018/19

Scheme	Spend to Qtr.1 £'000	Commentary
Environment		
Shrub End Depot	0	Refer to Appendix C.
Disabled Facilities Grants	77	This budget is for the mandatory provision of adaptations for disabled people to enable them to remain living independently in their home. This includes people who own their own home and rent from a private or social landlord. Where agreed locally it can also be used for other social care capital projects. All capital costs are funded by an external ring fenced grant from Ministry of Housing, Communities and Local Government (MHCLG) paid via the Better Care Fund. Agreement has been made to host an in house Occupational Therapist within the Council to enable fast track DFG s to enable timely hospital discharge. Opportunities to set up a Countywide Handyperson Service are also being explored. Additional staff have been recruited to the team and a further post is currently advertised, all being funded from this budget to enable more cases to be processed. Current value of committed grant funding is £202k.
Revolving Investment Fund		
Northern Gateway – Sports Hub	243	See Appendix C.
Northern Gateway South	(100)	The CBC Planning Committee has made a resolution to grant consent to the Turnstone full application. This decision was subject to a judicial review challenge, but has now been approved. The CNG Drainage Project is now complete and the system commissioned. However, there is an ongoing cost dispute between the parties and this is being dealt with by our legal team. This has required additional expenditure above the original budget allocation, which has been temporarily met from the RIF. Procurement of the professional team to deliver a hybrid planning application for the south side is complete with spend occurring late summer. Design work started on 15th July 18. Planning submission for the hybrid scheme aimed at December 2018. Negative spend to date results from unpaid invoices related to 2017-18 accruals relating to the drainage project. The project is shown as amber due to the issues resulting from the drainage project.
Surface Water Flooding - Distillery Lane/Haven Road	0	Joint project agreed between ECC, the Environment Agency and CBC to upgrade the sewage infrastructure between Distillery Pond and the river, and managed by ECC. CBC contributed £53k S106 funding in 2017-18 towards a total project cost of £270k, the balance to be met by ECC and the Environment Agency. This works were completed in April. ECC and the Environment Agency continue to work on Hythe flood alleviation projects. No further payments are due from CBC.

Capital Programme – ‘Amber’ schemes April to June 2018/19
Status Key

Status	Definition	Action
Red	There are significant issues with one or more aspects of the scheme (time, cost, scope), which require corrective action to meet the project objectives. The issue cannot be mitigated by the project manager or project team.	Escalate to project sponsor immediately. Highlight to PMB and the Scrutiny Panel.
Amber	One or more aspects of the project are at risk and are being flagged. Project performance is expected to be addressed by the project manager or project team.	Briefing to project sponsor. Report as part of overall summary.
Green	All aspects of the project are performing to plan.	No action required. Report as part of overall summary.