

Report

Cabinet

Part 1

Date: 13 September 2017

Subject Capital Programme Monitoring and Additions July 2017

Purpose To submit to Cabinet for approval, requests for new capital schemes to be added to the Council's Capital Programme.

To update Cabinet on current spending against the Capital Programme schemes highlighting the forecast outturn position for the programme as at July 2017.

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Ward All Wards

Summary The report requests that new schemes be added to the programme.

The report also updates Cabinet on the current capital expenditure position as at the end of July 2017 along with the forecast outturn for 2017/18. The net effect of the forecasts provided shows an overall Authority-wide underspend variance of £3,631k against the budget of £43,312k. This includes forecast slippage of budget into 2018/19 to the value of £1,789k, giving a true forecast underspend of £1,842k.

Whilst not currently forecast as an overspend, the Gypsy/ Traveller Site project is currently being reviewed in order to reduce initial costings as there is a risk that an overspend position could be reported in future reports if not addressed.

The report also updates Cabinet on the current position regarding capital receipts. To date £770k has been received in-year, which is a significant step towards the total £1,000k estimated to be achieved by the end of this financial year.

Proposal To approve the additions to the Capital Programme requested in the report.

To note the capital expenditure forecast position as at July 2017.

To note the balance of and approve the allocation of in-year capital receipts.

Action by Assistant Head of Finance

Timetable Immediate

This report was prepared after consultation with:

- Heads of Service
- Accountancy teams for relevant service areas
- Relevant Service Area Project Managers

- NORSE Property Services

Signed

Background

- 2017/18 is the final year of the current four-year capital programme originally approved by Council in February 2014 at an overall cost of £80.551 million. Over time, a number of changes have been made to the programme due to emerging developments, re-evaluation of priorities and the availability of specific funding sources; these changes have been reported to and approved by Cabinet on a quarterly basis over the past three years. The total budget for the period as a whole now stands at £128.685 million. The table below summarises the changes made to date:

Report	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	Total £000's
	Budget	Budget	Budget	Budget	
Original Programme	42,619	12,222	11,414	14,296	80,551
	Actual	Budget	Budget	Budget	
Capital Programme Outturn Report 14/15	27,197	39,993	27,813	20,063	115,066
	Actual	Actual	Budget	Budget	
Capital Programme Outturn Report 15/16	27,197	25,783	42,137	18,198	113,315
	Actual	Actual	Actual	Budget	
Capital Programme Outturn Report 16/17	27,197	25,783	32,393	39,456	124,829
This Report	27,197	25,783	32,393	43,312	128,685

Changes to the approved Capital Programme

- The changes to the capital programme identified in this report have increased the overall size of the current year programme by £3,856k (and the 2018/19 committed programme by £600k) since reported in June 2017. These should have no net revenue impact on the budget as all the revenue financing costs for the extra borrowing is covered by existing service area/ school budgets. The capital budget changes and their associated funding are listed in Appendix A and are requested to be approved by Cabinet, whilst Appendix B shows the revised capital programme for 2017/18 including the proposed changes. These changes are summarised in the paragraphs below.
- A new five-year capital programme commencing in 2018/19 is currently being developed in line with forecasts of available resources. The Council will need to consider its key strategic objectives and prioritise potential projects within a limited funding envelope. The Council's 'Directors Management Team' has already considered available funding and key, known priorities at this time and once the Corporate Plan is finalised, the programme can then be finalised for Cabinet's review and subsequent approval. As 2017/18 expenditure funded via borrowing will have an impact on the available headroom within revenue budgets, it is vital that budget holders forecast their outturn accurately. Failing to do so has a detrimental impact on the Council's medium term capital planning.
- School Asset Improvements (£1,100k)** – the report 'Use of 2016/17 Underspend', approved by Cabinet in March 2017 identified a need for investment in the Education estate, to be spent over the two years ending 31st March 2019, and funded via available reserves. Schools were asked to submit bids for this funding, which have been considered against specific criteria. The 18 successful schools have been notified and a number of projects are due to commence in September 2017.
- Caerleon Comprehensive IT Replacement (£373k)** – the school have identified a need to replace their hardware and have evaluated various leasing and purchasing options. The preferred solution is an outright purchase funded via capital borrowing, to be repaid by the school over 6 years (including current year) from within their existing delegated revenue budget for IT.

- **Civic Centre/ Information Station Service Relocations (£1,500k)** – the project to undertake works to these core buildings to facilitate service area office moves is due to commence shortly. The office space created in the Information Station will then be able to generate a rental income stream, part of which can be used to repay the capital borrowing costs of this scheme. The budget allocation identified here will be subject to further refinement as the actual office moves are confirmed over the next two to four months.
- **Gypsy Traveller Site Development (£1,212k)** – the remaining budget for this scheme is made up of a combination of NCC borrowing and Welsh Government grant, with the latter now increased by £808k following the confirmation of an updated award for 2017/18. The budget is further increased as a result of NCC providing match funding of an additional £404k.
- **Disabled Facilities Grants (£133k)** – the report ‘Use of 2016/17 Underspend’, approved by Cabinet in March 2017, sanctioned additional funding, via available reserves to increase the existing annual sum allocation for DFGs (which is normally funded via Supported Borrowing).
- **Flying Start (£196k)** – WG have confirmed a grant award for 2017/18 made up of £156k for improvements to Carnegie Centre, and £40k for maintenance works at various FS venues.
- **Indoor Market Facilities Improvements (£50k)** – the report ‘Use of 2016/17 Underspend’, approved by Cabinet in March 2017, authorised the use of available reserves to fund the investment required for improving the condition of facilities within the Indoor Market.
- **Market Arcade Townscape Heritage (-£10k)** – this scheme was introduced to the capital programme as part of the 2016/17 Capital Outturn report at the full budget level, which now needs to be adjusted to reflect £10k of eligible expenditure already incurred in 2016/17.
- **Preparatory Works Allocation (-£100k)** – following a redistribution of revenue budgets due to savings on borrowing costs, a feasibility budget has become available; this negates the need for a similar feasibility budget to exist within the capital programme, therefore it is to be removed.

2017/18 Capital Expenditure Position as at July 2017

- The 2017/18 capital programme allocation now totals £43,312k. Capital expenditure incurred up to the end of July 2017 totalled £6,835k – which is 15.8% of the overall budget. Whilst this seems low, it is appreciated that a significant level of capital expenditure tends to be incurred in the third and fourth quarters of the financial year. This has been the trend for many years and is often unavoidable, for example where a grant awarding body provides notification of funding in the latter half of the financial year, there is increased pressure for NCC officers to complete schemes by 31st March. On other occasions, delays have been within the Authority’s control – these should be mitigated by responsible officers, whether via better project management or other scheme-specific actions.
- Project managers will be expected and obliged to continue to control their schemes robustly and monitor them closely to ensure accurate forecasting continues. Poor or inaccurate forecasting is unhelpful for future planning, particularly at the current time as the funding envelope for the next medium term capital programme is in the midst of being developed and will be finalised this autumn/winter. Overspending this year will impact on available funding for the next programme, beginning 2018/19.
- The forecast outturn position for the 2017/18 programme is currently estimated to be £39,681k (91.6% of available budget) as detailed in the following table. An update on the headline/ high value

schemes is provided in the next section; Appendix B summarises the progress on the remainder of this year's programme.

Service Area	Approved Budget 2017/18	Forecast Outturn	Variance: Slippage	Variance: (Under)/Over Spend
	£000's	£000's	£000's	£000's
Education	27,312	26,311	(1,151)	150
Regeneration, Investment & Housing	8,186	8,132	(264)	210
People & Business Change	2,777	568	0	(2,209)
Law & Regulation	6	6	0	0
Adult & Community Services	195	202	0	7
Children & Young People Services	0	0	0	0
Streetscene & City Services	4,836	4,462	(374)	0
TOTAL	43,312	39,681	(1,789)	(1,842)

Update on Headline/ High Value Schemes

Education

- Within the 21st Century Schools Band A Programme, four of the original six project streams remain ongoing: Demountable Replacement, Caerleon Lodge Hill Primary, Special Education Needs (comprising the ASD Facility and the Maes Ebbw Special School expansion), and Ysgol Gyfun Gwent Is Coed (YGGIC)/ John Frost School. All works are complete in relation to the Nursery and Welsh-medium Primary programmes. Works continue to progress with the YGGIC/ John Frost School project on schedule to be complete by spring 2018.
- The Caerleon Lodge Hill Primary rebuild is expected to commence on site in October/ November 2017 with the new school building being occupied in October 2018. This is subject to planning approval in the September Committee. Newport's first ASD School, Ysgol Bryn Derw, opens in September 2017 with the tender and planning process due to commence for the 7 classroom extension at Maes Ebbw Special School.
- The Demountable Replacement Programme is due to be completed by the end of the year with Langstone Primary receiving a 4 classroom extension including a nursery being completed in September and Pentrepoeth Primary receiving a 2 classroom extension which will also include a nursery classroom. The nursery classroom at Pentrepoeth will open in January 2018.
- Works to increase St Andrews Primary and improve the external learning environments have been completed. A major remodelling and improvement of the main entrance and reception is due to be completed imminently. The remaining S106 funding will be allocated following the final account being settled for the reception works, and will be fully spent by the end of the financial year.
- Following approval by Cabinet, £1,100k has been made available for improvements to education assets and schools were asked to submit bids to secure funding allocations. These bids were considered on the criteria of safeguarding, enhancement, and whole school improvement, and 18 schools were successful in securing allocations ranging from £10k to £150k. All works will be completed by the end of the 2018/19 financial year, so the budget is phased across two years.

Regeneration, Investment and Housing

- Gypsy/ Traveller Site Development – additional funds, via a combination of WG grant and NCC reserves, has been made available for this scheme as noted earlier in this report. Designs have been finalised and detailed costings have been produced. These costings are currently being scrutinised by the responsible officers as there is a significant risk of overspend against the approved budget unless a value engineering exercise is successful.
- The Renovation Grants budget, currently split between Disabled Facilities Grants (£1,136k) and Safety at Home (£300k) but can be flexed between each other as necessary, is forecast to be fully spent this year in accordance with demand. The DFG budget is enhanced yet again by the ENABLE Support for Independent Living grant (£187k) awarded by Welsh Government.

People and Business Change

- The IT System & Equipment Replacement Programme remains ongoing, with full spend of the £225k budget forecasted.

Law and Regulation

- CCTV Monitoring Service – this scheme has completed, with final costs due to be processed shortly.

Adult and Community Services

- Both the Telecare Service Equipment and GWICES schemes are progressing as planned.

Streetscene and City Services

- Fleet Replacement Programme – planned vehicle purchases for 2017/18 are forecasting full spend against the budget allocation of £2,077k.
- Schemes have been identified under the sub-headings of road safety, street-wide improvements and lighting column replacement, within the £500k annual budget allocation for Highways Capital Maintenance. Full spend is anticipated for 2017/18.

Update on Capital Receipts

- Capital receipts continue to be earmarked for use as match funding for the 21st Century Schools Programme as per current Cabinet policy, with a current balance of £10.9m available as at the end of July 2017. Of this, circa £8m is estimated to be required for the remainder of 21CS Band A up to the end of 2018/19. The new capital programme currently being developed will include proposals for the use of remaining receipts beyond the current commitment, as part of the overall funding envelope available to the Council.
- Norse Property Services anticipate that a further £500k of capital receipts on property disposals should be achieved by the end of the financial year, in addition to the sums already received as per the table below.

Asset Disposed	Receipts Balance b/f	Receipts Received in Year	Total Available Receipts 2017/18	Receipts Earmarked For:	
				21st Century Schools	Fleet Replacement Programme
	£	£	£	£	£
Balance b/f from 2016/17	10,132,291		10,132,291	10,125,907	6,384
16 Charles Street		250,000			
Cot Farm Circle		390,000			
Land at Corporation Road		100,000			
Oliphant Circle Garages		30,000			
TOTAL NCC RECEIPTS	10,132,291	770,000	10,902,291	10,895,907	6,384

- The table below shows capital receipts held for Newport Unlimited, which are attributable to the previous joint arrangement between Newport City Council and Welsh Government. As previously reported to Cabinet, these funds are earmarked for city centre regeneration and require WG approval to spend. Positive dialogue between senior officers and WG officials is ongoing.

Capital Receipts Held for Newport Unlimited	Balance b/f	Receipts Received in Year	Currently Committed to Projects	Balance c/f
	£	£	£	£
Balance b/f from 2016/17	1,609,376			1,609,376
Commitments earmarked this year			(875,000)	
TOTAL NU RECEIPTS	1,609,376		(875,000)	734,376

Risks

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Overspend against approved budget	M	L	Regular monitoring and reporting of expenditure in accordance with the timetables set by Cabinet/Council should identify any issues at an early stage and allow for planned slippage of spend.	Corporate Directors / Heads of Service / Head of Finance
Programme growing due to unforeseen events	M	M	Good capital monitoring procedures and effective management of the programme should identify issues and allow for plans to defer expenditure to accommodate urgent works. Priority asset management issues are now being dealt with through a specific programme allocation.	Corporate Directors / Heads of Service / Head of Finance

* Taking account of proposed mitigation measures

Links to Council Policies and Priorities

- The programme supports a large number of the Council's aims and objectives.

Options Available

- To approve the changes to the Capital Programme and note the monitoring position as set out in the report, including the use of capital receipts.
- The Cabinet has the option not to put forward some or all of the changes to the Capital Programme set out in the report.

Preferred Option

- To approve the changes to the Capital Programme and note the monitoring position as set out in the report, including the use of capital receipts.

Comments of Chief Financial Officer

Financial issues are reported in the main body of the report. This is an important year as the development of the new capital programme beginning 2018/19 requires the Council to estimate slippage from the current year into 2018/19 so that appropriate revenue budget cover to deal with any borrowing costs are dealt with. Forecasting and delivery of the programme is therefore more important this year as it ever has been.

The forecast outturn position will continue to be monitored on a monthly basis.

Comments of Monitoring Officer

There are no legal issues arising from this report.

Staffing Implications: Comments of Head of People and Business Change

There are no direct HR implications associated with the report.

Comments of Cabinet Member

N/A

Local issues

As the report deals with the Capital Programme for the Authority as a whole, there are no local issues.

Scrutiny Committees

N/A

Equalities Impact Assessment

N/A

Children and Families (Wales) Measure

N/A

Consultation

As set out in the early part of the report.

Background Papers

Capital Programme 2014/15 to 2017/18 – February 2014
Capital Programme Monitoring and Additions Report – July 2014
Capital Programme Additions Report – October 2014
Capital Programme Monitoring Report – November 2014
2015/16 Budget & Medium Term Financial Plan – February 2015
Capital Programme Monitoring and Additions Report – February 2015
Capital Programme Outturn 2014/15 – June 2015
Capital Programme Additions Report – July 2015
Capital Programme Monitoring Report – October 2015
Capital Programme Monitoring and Additions Report – January 2016
2016/17 Budget & Medium Term Financial Plan – February 2016
Capital Programme Outturn 2015/16 – June 2016
Capital Programme Monitoring and Additions Report – September 2016
Education Capital Programme Report – September 2016
Capital Programme Monitoring and Additions Report – November 2016
Capital Programme Monitoring and Additions Report – January 2017
2017/18 Budget & Medium Term Financial Plan – February 2017
Capital Programme Outturn 2016/17 – June 2017

Dated: 24th August 2017

APPENDIX A – Changes to the Approved Capital Programme

Scheme	Total Cost £000	External Grant £000	Prudential/ Unsupported Borrowing £000	Revenue Contrib'n £000	Reserves £000	Comment/ Revenue Budget Implication
Caerleon Comprehensive IT Replacement	373		306	67		School to pay for borrowing from existing delegated revenue budget for IT
School Asset Improvements	1,100				1,100	Approved by Cabinet March 2017
Flying Start 2017/18	196	196				WG approved award
Disabled Facilities Grants	133				133	Approved by Cabinet March 2017
Indoor Market Facilities Improvements	50				50	Approved by Cabinet March 2017
Gypsy Traveller Site Development	1,212	808			404	Revised grant award from WG with additional match funding from NCC reserves
Civic Centre / Info Station Service Relocations	1,500		1,500			Borrowing costs to be paid for via rental income generated from Info Station tenancy
REDUCED: Market Arcade Township Heritage Scheme	(10)	(10)				Adjustment to budget re 2016/17 expenditure
REDUCED: Preparatory Works Allocation	(100)		(100)			No longer required
Adjustment for rounding	2		2			Correction to budgets on x2 existing schemes
TOTAL	4,456	994	1,708	67	1,687	

APPENDIX B – Capital Expenditure as at July 2017

SCHEME	BUDGET 2017/18 £000	ACTUAL 2017/18 £000	FORECAST OUTTURN £000	NOTIONAL CHARGE £000	TOTAL VARIANCE £000	SLIPPAGE £000	(UNDER)/ OVER SPEND £000	COMMENT
EDUCATION								
STEP	166	0	166		0	0	0	Full spend anticipated by the end of 17/18.
St Andrews Primary 3FE Works	174	(3)	174		0	0	0	Full spend anticipated by the end of 17/18.
21C Schools - School Reorganisation - Lodge Hill New Build	3,853	131	3,853		0	0	0	Scheme progressing on schedule.
21C Schools - Ysgol Gyfun Gwent Is Coed / John Frost School	13,751	5,248	13,751		0	0	0	Scheme progressing on schedule.
21st Century Schools - Special Sector Maes Ebbw	1,650	17	800		(850)	(850)	0	Scheme commenced.
21st Century Schools - Replacement of Demountable	2,404	602	2,103		(301)	(301)	0	Projects ongoing within this scheme.
John Frost School - Additional Funding	3,978	216	3,978		0	0	0	Works ongoing as part of main project above.
Jubilee Park Primary FF&E	385	0	385		0	0	0	Fit out new school being built by developer, open September 2017 - awaiting final costs.
Bassaleg High School – CCTV	50	0	50		0	0	0	Scheme commenced.
High Cross Primary - IT Refresh	28	0	28		0	0	0	Scheme commenced.
Caerleon Comp IT Replacement	373	0	373		0	0	0	New scheme.
School Asset Improvements	500	0	500		0	0	0	New scheme.
Prior Year Scheme Accruals	0	(96)	150		150	0	150	Prior year retentions waiting to be paid, overspend forecast relates to fitout of Ysgol Bryn Derw.
Subtotal Education	27,312	6,116	26,311	0	(1,001)	(1,151)	150	
REGENERATION, INVESTMENT & HOUSING								
Gypsy/ Traveller Site Development	2,724	(110)	2,724		0	0	0	Scheme ongoing.
City Centre Redevelopment CPO Schemes	66	141	141		75	0	75	Remaining CPOs to be settled shortly, resulting in an overspend against budget.
Renovation Grants (DFGs, Safety at Home)	1,569	231	1,569		0	0	0	Scheme progressing as planned, full spend forecast
ENABLE Adaptations Grant	187	16	187		0	0	0	Scheme progressing as planned, full spend forecast
HLF Market Arcade	181	0	181		0	0	0	Scheme ongoing.

Asset Management	1,414	0	1,414		0	0	0	Scheme progressing as planned, full spend forecast
Flying Start	20	0	20		0	0	0	Slippage from 16/17 - Small NCC allocation to cover additional works to grant funded projects.
Flying Start Grant 17/18	196	0	196		0	0	0	Both projects progressing as planned.
Central Library Structural Safety Works	279	2	15		(264)	(264)	0	Only scaffolding costs - further progress unlikely this FY.
Indoor Market Facilities Improvements	50	0	50		0	0	0	New scheme.
Civic Centre / Info Station Service Relocations	1,500	0	1,500		0	0	0	New scheme.
Prior Year Scheme Accruals	0	(796)	135		135	0	135	Prior year retentions waiting to be paid, including contribution to Bridge Training Centre FS works by Norse Asset Maintenance.
Subtotal Regeneration, Investment & Housing	8,186	(515)	8,132	0	(54)	(264)	210	
PEOPLE & BUSINESS CHANGE								
Replacement of High Volume Printing/Copying Machines	210	0	210	210	0	0	0	3 year lease @ £70k per annum.
IT System & Equipment replacement	225	20	225		0	0	0	Allocation for 2017/18 to be spent as required, ongoing.
Corporate EDMS Roll Out	13	0	13		0	0	0	Slippage from 16/17, full spend anticipated this year.
Members IT Refresh	44	36	35		(9)	0	(9)	Scheme complete, expecting further IT Recharges - underspend anticipated.
Implementation of HR Self Serve	85	0	85		0	0	0	Scoping out options on how to spend remaining funds - will present findings to HoF for consideration.
Amount Reserved for Change & Efficiency Programme	2,200	0	0		(2,200)	0	(2,200)	Schemes yet to be identified.
Subtotal People & Business Change	2,777	56	568	210	(2,209)	0	(2,209)	
LAW AND REGULATION								
CCTV - 24/7 Team - Development of CCTV Monitoring Service	6	0	6		0	0	0	Scheme complete, final costs to be paid.
Subtotal Law & Regulation	6	0	6	0	0	0	0	
ADULT & COMMUNITY SERVICES								
Telecare Service Equipment	30	1	30		0	0	0	Annual allocation 17/18 - full spend forecast
Appliance/Equipment for Disabled	165	0	165		0	0	0	Scheme progressing as planned, full spend forecast
Prior Year Scheme Accruals		7	7		7	0	7	Prior year retentions completed at higher cost than previously accrued.
Subtotal Adult & Community Services	195	7	202	0	7	0	7	
CHILDREN & YOUNG PEOPLE SERVICES								

Schemes yet to be determined	0	0	0		0	0	0	
Subtotal Adult & Community Services	0	0	0	0	0	0	0	
STREETSCENE & CITY SERVICES								
Fleet Replacement Programme	2,077	1,104	2,077		0	0	0	Annual allocation, ongoing.
Waste Disposal Site Finishing & Development Works	5	14	5		0	0	0	Scheme substantially complete.
Bus Station - City Centre Redevelopment	297	74	88		(209)	(209)	0	Works nearing completion, potential underspend.
Flood Risk Regulation Grant	26	7	26		0	0	0	Full spend expected.
Decommissioning of Public Toilets	20	0	20		0	0	0	Scheme yet to commence.
Pye Corner Railway Station Development Works	50	0	50		0	0	0	Full spend on knotweed treatment and landscaping should be achieved this year.
Highways Local Government Borrowing Initiative	68	0	68		0	0	0	Scheme now complete.
Highways Capitalised Maintenance (Annual Sums)	500	(39)	500		0	0	0	Annual allocation, ongoing.
Llisbury Recreation Ground Changing Rooms	188	0	188		0	0	0	Scheme ongoing.
Maplewood Play Area	225	6	60		(165)	(165)	0	Scheme ongoing.
George Street/ Lower Dock Street Junction Improvements	75	0	75		0	0	0	Full spend on last year monitoring and area signal upgrade this year.
Peterstone Sewage Scheme	68	0	68		0	0	0	Scheme currently being developed further.
Cemetery Infrastructure Improvements	184	0	184		0	0	0	Full spend expected.
Local Transport Fund 2017/18	1,049	16	1,049		0	0	0	Full spend expected.
Road Safety Capital 2017/18	4	4	4		0	0	0	Scheme complete for 17/18.
Prior Year Scheme Accruals	0	(15)	0		0	0	0	Prior year retentions waiting to be paid.
Subtotal StreetScene & City Services	4,836	1,171	4,462	0	(374)	(374)	0	
TOTAL COST OF PROGRAMME	43,312	6,835	39,682	210	(3,630)	(1,788)	(1,842)	