

Executive

24 November 2016

**Report of the Director of Customer and Corporate Services
Portfolio of the Executive Member for Finance and Performance**

Capital Programme – Monitor 2 2016/17

Summary

- 1 The purpose of this report is to set out the projected outturn position for 2016/17 including any under/over spends and adjustments, along with requests to re-profile budgets to/from current and future years.
- 2 The 2016/17 capital programme approved by Council on 25 February 2016, updated for amendments reported to Executive and Council is £100.146m.

Recommendations

- 3 Executive is asked to:
 - Recommend to Full Council the adjustments resulting in a decrease in the 2016/17 programme of £29.080m as detailed in the report and contained in Annex A.
 - Note the 2016/17 revised budget of £71.066m as set out in paragraph 6 and Table 1.
 - Note the restated capital programme for 2016/17 – 2020/21 as set out in paragraph 40, Table 2 and detailed in Annex A.
 - Members are also asked to recommend to Full Council to approve the Loan of £1.110m the Council will provide to Yorwaste, as set out in paragraphs 23 – 29 of this report. This will be funded from the Waste reserve so will have no impact on the Council's overall borrowing levels.

Reason: To enable the effective management and monitoring of the Council's capital programme.

Consultation

- 4 The capital programme was developed under the Capital Resource Allocation Model (CRAM) framework and agreed by Council on 25 February 2016. Whilst the capital programme as a whole is not consulted on, the individual scheme proposals and associated capital receipt sales do follow a consultation process with local Councillors and residents in the locality of the individual schemes.

Summary of Key Issues

- 5 A decrease of £29.080m is detailed in this monitor resulting in a revised capital programme of £71.066m. £31.803m of this decrease is due to re-profiling of budgets to future years. Offsetting this is a net increase of £2.723m mainly due to an Adjustment to the York Central Scheme budget funded by external contributions as detailed in paragraph 35 and the Harewood Whin Transfer Station which is detailed in paragraphs 23-29 and is funded by the Waste Reserve.
- 6 Table 1 outlines the variances reported against each area. It should be noted the Capital programme headers have been amended to reflect the new council directorate structure.

| Department | Current Approved Budget £m | Projected Outturn £m | Variance £m | Paragraph Ref |
|--|-------------------------------|-------------------------|-----------------|---------------|
| Children, Education & Communities | 12.716 | 9.006 | (3.710) | 8-15 |
| Health, Housing & Adult Social Care – Adult Social Care | 3.551 | 3.593 | 0.042 | |
| Health, Housing & Adult Social Care – Housing & Community Safety | 26.115 | 24.900 | (1.215) | 16-21 |
| Economy & Place – Transport, Highways & Environment | 18.753 | 17.627 | (1.126) | 22-32 |
| Economy & Place – Regeneration & Asset Management | 13.557 | 8.595 | (4.962) | 33-37 |
| Community Stadium | 19.000 | 1.000 | (18.000) | 38 |
| Corporate Schemes | 3.411 | 3.363 | (0.048) | 37 |
| IT Development Plan | 3.043 | 2.982 | (0.061) | |
| Total | 100.146 | 71.066 | (29.080) | |

Table 1 Capital Programme Forecast Outturn 2016/17

Analysis

- 7 A summary of the key exceptions and implications on the capital programme are highlighted below.

Children, Education & Communities

- 8 A number of amendments have been made as part of this report resulting in a net decrease to the capital programme of £3.710k in 16/17. Key variances are summarised in the table below, referenced to further narrative

| Scheme | Amendment | Amount 16/17 £m | Amount 17/18 – 20/21 £m | Further Details – Paragraph ref |
|---------------------|------------------|--------------------------------|--|--|
| Southbank Expansion | Adjustment | 0.500 | 2.000 | 9 |
| Basic Need | Adjustment | (0.500) | (2.000) | 10-15 |
| Basic Need | Re-profile | (3.700) | 3.700 | 10-15 |

- 9 The Southbank Expansion scheme has been added to the Capital programme with a budget of £500k in 16/17 and £2m in 17/18. This was approved at Executive on 19th May 2016 and will be used to make changes to internal space within Scarcroft Primary School (part of the Southbank Multi Academy Trust) to allow an increase in pupil numbers, and increase outdoor space to accommodate government requirements.
- 10 There has been a significant re-profiling of the Basic Need profile of works in 2016/17 and 2017/18. £3.700m needs to be transferred into 2017/18 as it is unlikely there will be any further significant spend in 2016/17 as set out below.
- 11 A total of £675k is now committed to providing the local authority's contributions to the two EFA funded school rebuilds (Carr Infant and Lord Deramore's Primary), under the Priority Schools Building Programme (PSBP), that were the subject of successful bids in 2012.
- 12 At Carr Infant, an amount of £405k (an increase of £35k on the previously reported figure) is funding additional classrooms within the new building and some landscaping works, neither of which will be funded by the EFA. The new building was completed and handed over in the summer. Funding of £254k was paid over to the EFA in 2015/16 to fund works

within the main contract. The remaining budget will be used to fund works by the local authority following completion of the new building, with approximately £50k of expenditure being incurred in 2016/17, and the remainder now expected in 2017/18.

- 13 The work at Lord Deramore's is supported by a contribution of £270k. To date only a small amount of expenditure has been incurred on furniture, and minor contributions to the EFA for works and items not covered within the main build contract. It is anticipated that the new building will be available for occupation in February 2017, with demolition of the old building probably now taking place in the 2017/18 financial year, therefore approximately £100k of this budget will require re-profiling into 2017/18.
- 14 Minor schemes funded from Basic Need in 2016/17 include the installation of a hygiene suite at St Aelred's Primary at a cost of £30k, and some minor classroom remodelling at Fishergate Primary costing approximately £36k and at St Lawrence's Primary (costing £31k) to enable the best use of space at these schools. An amount of £19k has been allocated to contribute to minor extension works at Rufforth Primary to accommodate Early Years provision.
- 15 As a result of the progress reported above, and the fact that, apart from the South Bank scheme reported on below there are no other significant schemes that have reached the detailed planning stage, it is now expected that only approximately £650k of spend will be incurred in this financial year, therefore slippage of a further £3.5m is requested, in addition to the £200k identified above. The overall Basic Need programme for the years 2017/18 to 2020/21 is subject to constant review to ascertain the best use of available resources to respond to the place pressures being experienced in particular areas of the city,

Health, Housing & Adult Social Care – Housing & Community Safety

- 16 A number of re-profiling amendments have been made as part of this report resulting in a net decrease to the capital programme of £1.215m in 16/17

| Scheme | Amendment | Amount 16/17 £m | Amount 17/18 – 20/21 £m | Further Details – Paragraph ref |
|--|------------------|-------------------------------------|---|--|
| Modernisation of Local Authority Homes | Re-profile | (0.194) | 0.194 | 17 |
| Assistance to Older & Disabled people | Adjustment | 0.100 | | 18 |
| MRA Schemes | Re-profile | (0.300) | 0.300 | 19 |
| MRA Schemes | Adjustment | (0.121) | | 20 |
| Water Mains Upgrade | Re-profile | (0.721) | 0.721 | 21 |

- 17 The Modernisation of Local Authority Homes scheme requires funds of £194k to be transferred from 16/17 into 17/18. A scheme is planned to remove a number of asbestos constructed bathroom 'pods' in the Bell Farm area, however there are a number of issues still to be resolved before the scheme can proceed to tendering, including the potential need for decanting of current tenants. It is therefore expected the expenditure will now be incurred during 2017/18
- 18 The Assistance to Older & Disabled people scheme requires an increase in funds in 2016/17 to reflect current forecast overspend in this area due to an increase in the number of referrals for large major adaptations to council homes.
- 19 The Major Repairs Scheme requires funds of £300k to be transferred from 16/17 into 17/18. This is due to the roof replacement project slipping by a few months. The tender process is due to commence shortly, with a view to work beginning on site in quarter 4 of 2016 and continuing until October 2017.
- 20 There is also an adjustment of £121k to the Major Repairs scheme in 2016/17 to reflect a projected underspend. This is due to there being fewer major roof repairs and external door replacements required than originally budgeted for.

21 The Water Mains Upgrade Scheme requires funds of £721k to be transferred from 16/17 into 17/18 to reflect the project remaining at the feasibility stage. There are a number of issues to resolve before the project can proceed including the need for a more detailed assessment of likely overall costs, a decision of the procurement approach and analysis of the costs to be recharged to owner occupiers in the area.

Economy & Place – Transport, Highways & Environment

22 A number of amendments have been made as part of this report resulting in a net decrease to the capital programme of £1.126m in 16/17. Key variances are summarised in the table below, referenced to further narrative

| Scheme | Amendment | Amount 16/17 £m | Amount 17/18 – 20/21 £m | Further Details – Paragraph ref |
|--------------------------------|------------------|--------------------------------|--|--|
| Harewood Whin Transfer Station | Adjustment | 0.110 | | 23-29 |
| Better Play Areas | Re-Profile | (0.190) | 0.190 | 30 |
| Local Transport Plan | Re-Profile | (0.700) | 0.700 | 31 |
| Scarborough Bridge | Re-Profile | (0.419) | 0.419 | 32 |

23 An increase of £110k has been made to the Harewood Whin transfer Station scheme. This is to reflect a loan to Yorwaste of £1.11m as detailed below. This will replace the current assumed contribution of £1m toward the cost of the transfer station currently approved within the capital programme.

24 The funding for the total of this scheme of £1.110m will come from the Waste Reserve (funding that has been built up to finance AWRP running costs when in operation) which has been used to fund one off costs related to the procurement, e.g. s106 landscaping, roadworks and initial lease and business rate costs. The loan will therefore have no impact on the Council's overall borrowing levels.

25 The council as minority shareholder of the company Yorwaste has received a request from Yorwaste and the majority shareholder North Yorkshire County Council (NYCC) to support its Capital Strategy as part of its ongoing strategy to diversify its operation away from landfilling.

Yorwaste is now operating as a Teckal company and as such provides its services to the shareholders at cost plus which reduces its opportunity to make profits to allow it to fund significant capital investment

- 26 The Councils are using Yorwaste as a way of optimising waste delivered to Allerton Waste Recovery Park (“AWRP”) by delivering Commercial Waste collected by Yorwaste
- 27 Yorwaste’s proposed Capital Programme for 2016/17 is estimated at £11.5m which is significantly higher than previous years. The largest investment in the York area is the construction of the new Transfer Station at Harewood Whin
- 28 The Harewood Whin Transfer Station is absolutely essential in order to deliver waste currently landfilled at Harewood Whin to AWRP. The construction of this facility at Harewood Whin is also a key requirement for Yorwaste as Commercial Waste and other Local Authorities whose waste is currently landfilled at Harewood Whin
- 29 In order to fund the capital programme Yorwaste has requested that the shareholders provide a loan of £5,000,000 to cashflow the enhanced capital programme. This would be split as per the shareholding ratio (77% NYCC and 23% CYC). The terms of the loan would be a straight repayment of £500k per year over ten years to the councils plus interest at 4% above Bank of England Base Rate. Yorwaste would have the ability to repay the loan early without penalty.
- 30 The Better Play areas scheme requires funds of £190k to be transferred from 16/17 into 17/18. Contracts in this area have been delayed due to the risk of flooding in Rowntree Park during winter months.
- 31 The Local Transport Plan scheme requires £700k of funds to be transferred from 16/17 into 17/18. The Council received £800k grant funding from the government’s Office of Low Emission Vehicles (OLEV) in order to fund the installation of rapid charging points around York. It is proposed to move part of this grant funding to 2017/18 as the programme of work is now expected to be carried out over two years.
- 32 The Scarborough Bridge scheme requires funds of £419k to be transferred from 16/17 into 17/18. Network Rail have now provided a revised timescale for their feasibility and outline design work for the improvements to the Scarborough Bridge footbridge, and it is proposed to move some of the funding to 2017/18 due to the changed timescales for the scheme.

Economy & Place – Regeneration & Asset Management

33 A number of amendments have been made as part of this report resulting in a net decrease to the capital programme of £4.962m in 16/17. Key variances are summarised in the table below, referenced to further narrative.

| Scheme | Amendment | Amount 16/17 £m | Amount 17/18 – 20/21 £m | Further Details – Paragraph ref |
|--------------------|------------------|--------------------------------|--|--|
| York Central | Re-profile | (4.450) | 4.450 | 34 |
| River bank repairs | Re-profile | (0.182) | 0.182 | 36 |
| Guildhall | Re-profile | (0.300) | 0.300 | 37 |

34 The York Central scheme requires a transfer of £4.450m to be made from 16/17 into 17/18 in order to reflect the latest anticipated timescales for the CYC funded element of the project.

35 An adjustment has been made to the source of funding for the York Central scheme in 16/17 to reflect the Executive Report from July 2016 where Executive agreed that a loan of £2.55m from Leeds City Region Local Growth Fund should be an element of the funding proposals for York Central. This has not resulted in an increase in the budget as £2.550m previously expected to be funded by internally controlled resources.

36 One scheme within Regeneration and Asset Management requires re-profiling of budget to future years. River bank repairs requires £182k to be re-profiled from 2016/17 into 2017/18 due to Riverbank repairs at Castlegate Mills lock being delayed until the Environment Agency have completed their work

37 The Guildhall project requires £300k to be re-profiled from 2016/17 into 2017/18 to reflect the project plan and expected spend in 2016/17 of £600k. The Guildhall project continues to progress according to the plan and specification

Community Stadium

38 A re-profiling request has been made for the Community Stadium scheme to reflect the construction phase being delayed due to a judicial review of the planning permission. Until this is complete, contracts cannot be awarded and construction cannot begin.

Corporate Schemes

39 The principal contractor at the Mansion House has recently gone into administration causing delays to the Mansion House scheme. Despite this, works have recommenced on the exteriors and a Tender exercise is currently in process to appoint a new Contractor to carry out the internal works. It is expected this exercise will be completed by the end of November and will result in an increased cost, however these costs will not be fully know until this exercise has been completed consequently further updates will be reported in the next Capital monitor 3 update report.

Summary

40 As a result of the changes highlighted above the revised 5 year capital programme is summarised in Table 2.

| Gross Capital Programme | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Children, Education & Communities | 9.006 | 23.067 | 5.987 | 3.837 | 5.081 | 46.978 |
| Health, Housing & Adult Social Care – Adult Social Care | 3.593 | 2.252 | 1.089 | 0.565 | 0.565 | 8.064 |
| Health, Housing & Adult Social Care – Housing & Community Safety | 24.900 | 10.750 | 9.547 | 9.401 | 9.862 | 64.460 |
| Economy & Place – Transport, Highways & Environment | 17.627 | 8.888 | 4.687 | 4.637 | 4.637 | 40.476 |
| Economy & Place – Regeneration & Asset Management | 7.993 | 7.415 | 0.200 | 0.200 | 0.200 | 16.008 |
| Community Stadium | 1.000 | 35.898 | 0 | 0 | 0 | 36.898 |
| Corporate Schemes | 3.965 | 0.400 | 0.100 | 0.100 | 0.100 | 4.665 |
| IT Development Plan | 2.982 | 2.306 | 2.025 | 1.970 | 1.085 | 10.368 |
| Revised Programme | 71.066 | 90.976 | 23.635 | 20.710 | 21.530 | 227.917 |

Table 2 Revised 5 Year Capital Programme

Funding the 2016/17 – 2020/21 Capital Programme

41 The revised 2016/17 capital programme of £75.516m is funded from £25.787m of external funding and £49.729m of internal funding. Table 3 shows the projected call on resources going forward.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Gross Capital Programme | 71.066 | 90.976 | 23.635 | 20.710 | 21.530 | 227.917 |
| Funded by: | | | | | | |
| External Funding | 28.337 | 61.324 | 15.554 | 13.554 | 15.563 | 134.322 |
| Council Controlled Resources | 49.729 | 29.652 | 8.091 | 7.156 | 5.563 | 93.595 |
| Total Funding | 71.066 | 90.976 | 23.635 | 20.710 | 21.530 | 227.917 |

Table 3 – 2016/17 –2020/21 Capital Programme Financing

42 The Council controlled figure is comprised of a number of resources that the Council has ultimate control over how it chooses to apply them, these include Right to Buy receipts, Revenue Contributions, Supported (government awarded) Borrowing, Prudential (Council funded) Borrowing, Reserves and Capital Receipts.

43 The capital programme has now achieved all the assumed capital receipts, and looking ahead into 17/18 and beyond, any capital receipts (other than those earmarked receipts for the older person programme) will be additional resource for the council. There are a number of potentially significant capital receipts that may be generated in the future. Where these receipts are realised they will be presented to members as part of the regular budgetary reports in terms of options for the most prudent use of such receipts. It should be noted however that there is already an assumption within the revenue budget savings plans for some of these potential receipts to be used to generate future revenue savings.

44 In financing the overall capital programme the Director of Customer & Corporate Services will use the optimum mix of funding sources available to achieve the best financial position for the Council. Therefore an option for any new capital receipts would be to use these to replace assumed borrowing, thereby reducing the Councils' borrowing levels and associated revenue costs.

Council Plan

45 The capital programme is decided through a formal process, using a Capital Resource Allocation Model (CRAM). CRAM is a tool used for allocating the Council's capital resources to schemes that contribute toward the achievement of the Council Plan. The Capital Asset Board (CAB) meet monthly to ensure the capital programme targets the Councils Plan. The capital programme addresses all priorities of the Council Plan as shown in the main body of the report.

Implications

Financial Implications

46 The financial implications are considered in the main body of the report.

Human Resources Implications

47 There are no HR implications as a result of this report

Equalities Implications

48 There are no equalities implications as a result of this report

Legal Implications

49 There are no legal implications as a result of this report

Crime and Disorder

50 There are no crime and disorder implications as a result of this report

Information Technology

51 The information technology implications are contained in the main body of the report.

Property

52 The property implications of this paper are included in the main body of the report.

Risk Management

- 53 The capital programme is regularly monitored as part of the corporate monitoring process. In addition to this the Capital Asset Board meets regularly to plan monitor and review major capital schemes to ensure that all capital risks to the Council are minimised.
- 54 The latest Project Management Report as presented to the Audit & Governance Committee on 28th September is attached at Annex B and provides an update on the status of large projects. This is provided for Executive's information given that many of the major projects are capital schemes.

Contact Details

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|---|--|---|----------------------|
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| Wards Affected: All | | | |
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| Specialist Implications: |
| <i>Legal – Not Applicable</i> |
| <i>Property – Not Applicable</i> |
| <i>Information Technology – Not Applicable</i> |

Annexes

Annex A – Capital Programme 2016/17 to 2020/21

Annex B – Programme/ Project Management Update report with Annexes as presented to the Audit & Governance Committee on 28th September 2016 – **Online only** (copies available on request)

List of Abbreviations used in the report

AWRP – Allerton Waste Recovery Park

CAB - Capital Asset Board

CRAM - Capital Resource Allocation Model

DfE – Department for Education

DfT – Department for Transport

EFA – Education Funding Agency

MRA – Major Repairs Allowance

NYCC – North Yorkshire County Council

OLEV - Office of Low Emission Vehicles