

Executive Decision Report

<p>Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken</p>	<p>Leadership Team - 26 February 2018</p> <p>Forward Plan reference: 05171/18/K/A</p> <p>Leadership Team Portfolio: Lead Member for Corporate Services</p>	 <p>THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA</p>
<p>Report title (decision subject)</p>	<p>BUDGET MONITORING 2017-18 (QUARTER 3) - GENERAL FUND CAPITAL</p>	
<p>Reporting officer</p>	<p>Director of Finance</p>	
<p>Key decision</p>	<p>YES</p>	
<p>Access to information classification</p>	<p>Public</p>	

1. EXECUTIVE SUMMARY

- 1.1 This report reviews the latest position on the 2017/18 General Fund Capital Programme to end of Quarter 3.
- 1.2 Overall General Fund capital expenditure for 2017/18 is currently forecast to be £31.573m below budget.
- 1.3 The Revised General Fund Capital Programme budget for the period 2017/18 to 2019/20, as approved by Council in October 2017 totals £400.468m whilst the total for the three year period per the Qtr 3 forecast equates to £403.674m representing an overspend of £3.206m to the programme overall. The difference of £2.615m between the overall programme overspend and net overspends identified in 2017/18 is arising as a result of further savings identified in 2018/19.
- 1.4 This forecast could potentially vary further between this Qtr 3 position and the final outturn position.

2. RECOMMENDATIONS

- 2.1 The Leadership Team is recommended to:
 - Note the latest General Fund Capital Programme forecast positions as set out in Table 1 below and detailed at Appendix 1.
 - Agree that where forecast overspends cannot be contained, that this should be met from the agreed additional borrowing for the funding of the Capital Programme.

3. REASONS FOR DECISION

- 3.1 The services report quarterly on the capital budget versus actual forecast year-end position to the Leadership Team. Though mainly for information, this report does, if required, set out requests for in-year budget and funding changes for Leadership Team approval.

4. BACKGROUND

- 4.1 The background to this report is the original 2017-18 capital programme as agreed by Council in March 2017, the 2016-17 Qtr 4 monitoring report and the subsequent Capital Programme Update and Review report submitted to the October meetings of Leadership Team and Council.
- 4.2 Quarterly budget monitoring is normally reported in July, October, February and April/May each year, but for this financial year the timetable

has varied in earlier periods as a result of the various changes in the Council's governance structures.

- 4.3 In response to the challenges that a substantial capital programme poses, the Capital Strategy and Asset Management Board (CSAMB) was established in 2016/17 as an officer advisory board which tracks and scrutinises all capital investment plans (existing and potential) with the aim of ensuring that the capital programme, for example, delivers the Council's priorities and remains affordable (within the Council's financial framework). All new projects or projects with increased costs are prioritised by the Board with the aim of keeping the Council within the financial boundaries set by March Council each year. The Heads of Terms for this group will be reviewed to ensure that it continues to work in a manner most effective in meeting the amended governance requirements of the Council.

5. DETAIL

- 5.1 The latest 2017/18 General Fund Capital Programme is set out the table below. The table provides at summary level a comparison of agreed total budgets against the latest projected outturn.

Service	Original Budget (inc c/fwd from 2016/17)	Revised Budget (Council October 2017)	Forecast Outturn	Variance forecast to Revised Budget	Amounts Re-phased to Future Years
	£m	£m	£m	£m	£m
Expenditure					
Housing General Fund	13.308	183.478	183.720	0.242	0
Adult Social Care	4.109	3.809	1.247	(2.562)	2.530
Children's Services	24.956	17.065	18.708	1.643	2.035
Environment, Leisure and Residents Services	10.254	8.453	4.974	(3.479)	4.092
Libraries, Archive and Heritage Service	0.498	0.498	0.330	(0.168)	0.168
Transport and Technical Services	7.260	3.882	1.852	(2.030)	2.047
Corporate Services/Property	89.251	55.323	30.104	(25.219)	26.522
Total General Fund Expenditure	149.636	272.508	240.935	(31.573)	37.394

Latest 2017-18 Position

General Fund

- 5.2 The revised budget of £272.508m was amended from the £149.636m capital programme, as approved by Council in October 2017.

- 5.3 The below sets out the main variations that have been identified in the current Qtr 3 forecast since the setting of the Revised 2017/18 Capital Budget:

Housing Services

- Purchase of Properties for Temporary Accommodation - £0.277m overspend:

The programme for purchasing properties for temporary accommodation has now been paused as officers are prioritising accommodation for residents affected by the Grenfell fire. However, additional costs in excess of the revised budget have been identified to meet current commitments. This is partially offset by underspends totalling £0.035m elsewhere in the Housing programme.

Adult Social Care

- Adult Social Care Day Centre Re-provision - £2.328m slippage to 2018/19:

There is an aspiration to co-locate some of these day centres in order to provide a modern, accessible and flexible resource 'hub'. The need to re-phase expenditure to future years is arising due to an extended period of time to obtain planning permission and the need to undertake a value engineering exercise for the design stage, which took two months to complete. Since the last budget monitoring the building has been illegally occupied, further delaying a start on site.

- Frameworki Mobile Working - £0.202m slippage to 2018/19: This funding was primarily to purchase and roll out IPAD's which would facilitate efficiencies by being able to access the case management system, email, internet and other resources away from the office. The lead time for orders is in excess of six weeks, as a consequence expenditure will be delayed to 2018/19.

Children's Services

- Barlby and Special Education Needs Schools – £1.600m virement from associated scheme with slippage of £0.308m to 2018/19: In the Quarter 2 monitor report it was identified that there would be additional expenditure arising in respect of this scheme totalling £1.600m and as such budget from the Corporate Property scheme Barlby, Treverton and Primary School Redevelopment will be vired to meet this. Of this identified additional expenditure £0.308m is now forecast to be spent in 2018/19.

- Coalville Primary School Expansion - £1.157m slippage to 2018/19:
This is due to a later than anticipated start on-site and on-going discussion with the school over operational matters.
- Schools General Maintenance Programme - £0.176m slippage to 2018/19:
The Schools Maintenance Grant allocation will not be fully utilised in 2017/18 and the balance will be re-phased to 2018/19.
- Olive House - £0.060 overspend 2018/19:
The final account on this scheme has been settled resulting in an overspend.
- Fox Primary School Expansion - £1.563m overspend:
The main reasons for this were the discovery of the corroded window lintels in the building, which has led to additional costs to the scheme and the delay in finishing the new build element of the school. The former led to additional costs to relocate the school to alternative teaching establishments offsite and the latter continuing these costs over a longer period of time than anticipated. This forecast will become clearer as the year progresses. Future budget monitoring reports will provide an update on this project.
- Holland Park School Redevelopment - £0.700m overspend:
The completion of this scheme continues to be delayed due to a dispute with the Council and the contractor over a number of high profile defects. This has led to increased legal and consultant costs to support these disputes and the adjudications. This adjudication has led to the retention to the contractor being released for payment. Future budget monitoring reports will provide an update on this project.
- Kensington Academy - £0.260m slippage to 2018/19:
Scheme expenditure is forecast to be delayed until 2018/19.
- Barlby School Replacement - £0.245m underspend:
The balance of this budget provision is no longer required.

Environment, Leisure and Residents Services

- Leighton House Phase 3 - £0.288m virement from alternative scheme within programme with slippage of £0.198m to 2018/19:
This project is managed by Corporate Property. A £0.288m overspend on the scheme is currently forecast. This will be funded from a budget transfer from the Barlby, Treverton and Primary School Redevelopment scheme, within the Corporate Property capital

programme. Of this identified additional expenditure £0.198m is now forecast to be spent in 2018/19.

- Parks Strategy - £0.796m slippage to 2018/19:
This budget is earmarked for several projects to improve the open spaces of the borough. Slippage of £0.796m is arising, relating to a few specific projects. The most significant projects are the parks strategy for Powis Square, Holland park adventure playground and Westfield park junior playground replacement. The budget phasing is based on current expectations regarding consultation and planning timescales. Slippage is net of £0.011m to allow for a virement to the Holland House Terrace Landscaping scheme, correcting miscoded spend from previous years.
- Althone Gardens and Wornington Green - £0.020m Budget re-phasing:
A £0.020m overspend is forecast for 2018/19, to fund project officer time. £0.020m will be brought forward from 2018/19 to fund this.
- Chelsea Sports Centre Wetside Improvements - £0.180m virement to alternative scheme within service programme and £0.231m slippage to 2018/19:
Following initial delays caused by a local petition and planning and listed building consent issues, this project has now been completed and final payments are being made. It is forecast that £0.231m will slip to 2018/19 to fund snagging issues and any defects. The remaining £0.180m budget (underspend) that is not required will be vired to the Holland House Terrace Landscaping project, as agreed by the May 2017 Cabinet meeting.
- Kensington Leisure Centre – New Building - £1.392m slippage to 2018/19:
This project is managed by Corporate Property. The works to rectify the defects at the Kensington Leisure Centre are still not complete, resulting in a forecast underspend of £1.392m this year. The Council have appointed an independent company to identify the cause of the issue and suggest remedial action. As such, £1.392m is slipped to 2018/19 to fund the remaining works.
- Asset Improvement Plans - £0.020m virement to alternative scheme within service programme and £0.076m slippage to 2018/19:
This budget is primarily earmarked for various works in the Royal Borough's parks and open spaces. An underspend of £0.020m is targeted to allow for a virement to the Holland House Terrace Landscaping project, as agreed by the May 2017 Cabinet meeting.

Slippage of £0.076m is required to align budgets with expected project timescales.

- Holland House Terrace Landscaping - £0.571m virements from other schemes within service programme and £0.302m overspend:
This project is forecasting an overspend of £0.873m this year. This is to be part funded from a £0.337m budget virement from the Holland House Revised Site Entrance project - these projects have now been merged to allow for a broader project scope, addressing both health and safety access issues as well as improving the central focus of the park. Budget transfers from other existing ELRS capital budgets (mentioned above) total £0.234m, resulting in a remaining £0.302m overspend. This overspend has arisen due to additional funding previously agreed by Cabinet not being included within the Capital Programme Update and Review report. This funding will be bid for again as part of the capital bidding round in January 2018.
- Holland House Revised Site Entrance - £0.337m virement to alternative scheme within service programme:
This budget has been transferred to the Holland House Terrace Landscaping project (see above).
- Gunnersbury Cemetery Improvement Scheme - £0.873m underspend and slippage
The cost consultant has been appointed and pre planning application advice has been received. Works are expected to take place in 2018/19. As such, £0.873m is slipped to 2018/19.
- Little Wormwood Scrubs Boundary Wall - £0.268m slippage to 2018/19:
The works tender is currently being developed, with works expected to start on site in Autumn 2018. Slippage of £0.268m is requested to align the budget with the planned project timescales.
- Paths and Fencing Improvements - £0.179m slippage to 2018/19:
This project was put on hold, pending the corporate review of capital budgets. These critical works will now take place in 2018/19. As such, £0.0179m is slipped to next year.
- South Kensington Flower Kiosk - £0.099m slippage to 2018/19:
Following several resident objections to the existing plans, the planning application has been withdrawn. Alternative plans are being considered with the current proposal being to downsize the kiosk. Member support for the continuation of this project will be assessed in quarter four, although no spend is anticipated in 2017/18. As such £0.099m is slipped to 2018/19 pending the outcome of these discussions.

Library, Archive and Heritage

- Central Library - Condition Works - £0.168m slippage to 2018/19:
This scheme has completed with only snagging works outstanding to be completed in liaison with the tenants. These works will not complete until 2018/19.

Transport and Technical Services

- Chelsea Bridge - £0.020m Budget re-phasing:
Investigatory and feasibility works are ongoing for the structural aspects of the Chelsea Bridge repainting and refurbishment scheme that will require expenditure of £0.040m in 2017/18, an additional £0.020m over the profiled budget which will be re-phased from 2018/19.
The overall scheme will now be delayed until 2020. The forecast profile for the scheme is that £0.240m will be required in 2018/19 to carry out necessary remedial works to the bridge deck and projected 2020/2021 spend is £2.391m.
- Street Scene Improvements - £1.151m slippage to 2018/19:
This is a rolling programmes funded from a combination of council reserves and TfL LIP funding. The current forecast is to spend £0.870m in 2017/18, with a £1.151m requirement for slippage into 2018/19.
- Golbourne Road Area Improvement - £0.833m slippage to 2019/20:
Public consultations for this scheme will take place in 2018/2019. The projection is for £700k to be slipped to 2019/2020 to meet Phase 2 costs of the project.
- Stanley Bridge - £0.040m budget re-phasing from 2018/19:
A track possession is tentatively arranged with Network Rail for early November 2017 to assess the current condition of the structure and to assess the deterioration since the previous inspection last September. That will require expenditure of £0.040m in 2017/18 which will be re-phased from the 2018/19 budget. The overall scheme is delayed. The forecast profile for the scheme is that £0.400m will be required in 2018/19 and projected 2019/2020 spend is £0.347m.
- Highways Improvement Schemes - £0.083m slippage to 2018/19:
This is a rolling programme, the main activities of which are street safety and pedestrian improvement projects. The scheme is now projected to spend £0.435m in 2017/18 giving rise to slippage of £0.083m to 2018/19.

- Environmental Health Services on the Web - £0.040m slippage to 2018/19:
This scheme has been delayed due to diverted officer resources. The 2017/2018 capital budget of £40K (brought forward from 2016/2017) will now be spent in 2018/19.
- Pay-By-Phone Parking Roll-out - £0.017m overspend:
This scheme was largely complete in March 2017. Additional costs have been identified to bring the project to a close, these will be met from the identified saving on Street Scene Improvements.

Corporate Property

- Barlby, Treverton & Primary School redevelopment - £12.948m slippage to 2018/19 & virement to alternative schemes £1.888m:
Due to the review of this scheme there will be slippage in the 2017/18 programme. The balance of programme budget is to be vired to other Corporate Property managed schemes in CHS and ELRS as detailed above to meet additional costs identified in year.
- Chelsea Old Town Hall Partial Refurbishment - £0.513m Slippage to 2018/19:
Slippage is forecast in this scheme as a result of the scheme being subject to review, delaying works starting on site.
- Kensington Town Hall Cyclical Works - £2.097m slippage to 2018/19:
There is expected to be slippage in this scheme mainly related to the Replacement of the Chillers and Energy saving projects with works have being rescheduled into 2018-19.
- Christiana Wharf Site - £5.925m slippage to 2018/19:
The Christiana Wharf site will now mostly slip into 2018-19. Some initial professional fee costs could be incurred before the end of March 2018, but the main works are not now expected to start until late summer 2018.
- Refurbishment of Town Hall Public Areas Phases 1 & 2 - £1.178m underspend:
Since the Leadership Team meeting in October the Refurbishment of Town Hall Public Areas scheme has now been withdrawn from the Capital Programme. The forecast outturn position is the anticipated spend as the scheme is brought to a conclusion.
There is a net saving of £3.212m to the overall 2017/18 to 2019/20 Capital Programme as a result of this. However, elements of this saving will be required to meet additional commitments identified

post the Capital Review and Update report in respect of other schemes within the Corporate Property capital programme.

- Maxilla Walk Bays 12 and 20 – Land Acquisition - £2.000m slippage to 2018/19:
The project to refurbish Maxilla Walk bays 12 and 20 is currently on hold.
- Denyer Street/Wiltshire Close Depot - £0.966m slippage to 2018/19:
Due to prolonged discussions with local residents and the additional information requested by the local authority planning process, the timescale for the Denyer Street/Wiltshire Close Depot scheme has been delayed.
- Silchester Garage Site – Acquisition of Retail Unit - £1.404m budget re-phasing from 2018/19:
The Acquisition of the retail unit at the Silchester garages site has happened earlier than anticipated and therefore spend of £1.4m is now forecast in the current year.
- Information Systems Projects – £0.768m slippage to 2018/19:
The ICT projects in the programme are currently being reviewed and amended to reflect the changed priorities on IT provision. Revised projects will also be submitted as part of the capital programme review process.
- Latimer Road Unit 12, Refurb Works & Southern Row 81 – Canalside House Tenant Relocation – £0.850m & £0.500m slippage to 2018/19:
The project to undertake the refurbishment of unit 12 Latimer Road is currently being reworked and merged with the Southern Row/Canalside House relocation project and as a result no spend is expected until March 2018. This will lead to total slippage of £1.350m.
- St Mary Abbots Church Boundary Wall & Railings – £0.700m slippage to 2018/19:
These works are currently being costed and expected to be underway in 2018-19.
- Hewer Street and Exmoor Street Acquisition – £0.272m slippage to 2018/19:
The timescale for delivery of this scheme has been delayed.
- Westway Information Centre (strip out) - £0.478m overspend:

Additional work is needed to be under taken due to one voluntary organisation staying in the building while the work is being carried out and the need for a new electrical sub-station to facilitate the new tenants of the building.

- Park Royal Land Acquisition – £0.340m slippage to 2018/19:
The project to complete the acquisition of the Park Royal site will now happen in 2018-19.
- Pembroke Road Leaseholder Buyout - £3.832m overspend:
Since the Leadership Team meeting in October additional commitments to property acquisitions have been identified. The forecast outturn position is the anticipated spend as the scheme is brought to a conclusion.

5.4 At its meeting on 30 November 2017 the Leadership Team, as part of the consideration of the Medium Term Financial Planning report, agreed that revenue provision in the sum of £1.4m be allocated to meeting costs on abortive costs associated with capital schemes no longer progressing. The table below outlines those costs currently identified:

Scheme	2017-18 Qtr 3 Forecast £'000
Refurbishment of Town Hall Public Areas - Phase 1	195
Refurbishment of Town Hall Public Areas - Phase 2	209
North Kensington Library and Youth Centre	535
Pembroke Road Planning Costs	100
Total Abortive Costs	1,039

6 DIRECTOR OF FINANCE COMMENTARY

6.3 Current expenditure forecasts for the Council's total General Fund 2017-18 Capital Programme (£240.935m) are estimated to be £31.573m below budget, with identified re-phasing to 2018/19 and future years of £37.394m. The overall impact to the 2017/18 to 2019/20 Capital Programme of the forecasts identified in the Quarter 3 Monitor equate to a net overspend of £3.206m, as summarised in the table below:

Area of Variance	£m
In Year Movements:	
Housing Services	0.242
Adult	(2.562)
Children's Services	1.643
Environment, Leisure and Residents Services	(3.479)

Library, Archive and Heritage	(0.168)
Transport and Technical Services	(2.030)
Corporate Services	(25.219)
Slippage to future years	37.394
Savings in Future Years	(2.615)
Total Overspend/(Underspend)	3.206

- 6.4 The net increase in forecast expenditure for the 2017/18 to 2019/20 Capital Programme represents a potential increased call on Council funding. The resourcing of the existing approved Capital Programme assumes full use of existing capital receipts and earmarked revenue reserves previously designated for capital support, supplemented by borrowing to meet both the requirements of the Grenfell replacement programme and the need to invest in owned assets.

The draft Medium Term Financial Strategy has identified £25 million of borrowing for both 2018/19 and 2019/20 to fund essential capital works, in the absence of usable reserves or capital receipts, to be prioritised by means of a bidding process using the scoring mechanism included within the Capital Strategy. At the January 2018 Leadership Team and Council meetings it was agreed that bids for up to an initial £20 million of schemes would be invited from departments to be considered as part of the Council tax setting in February 2018.

Of the identified programme overspend of £3.206m the sum of £0.302m in regard to the ELRS Holland House Terrace Landscaping scheme is already subject to a capital bid being submitted for consideration. It is further proposed that the remaining identified overspend of £2.904m be submitted to The Leadership Team and Council meetings in February 2018 for approval to be met from the agreed additional borrowing sum.

- 6.5 At the October meetings of the Leadership Team and the Council, it was agreed that the means by which individual projects are funded will be delegated to the Director of Finance. As stated above, current resourcing assumes full use of existing capital receipts and earmarked revenue reserves previously designated for capital support. Borrowing could be replaced by the use of other earmarked revenue reserves or vice versa. The level to which these can be used will need to be determined in the light of the ongoing revenue costs post Grenfell.

7 CONSULTATION

- 7.1 There are no specific consultation issues relating to this report.

8 EQUALITY IMPLICATIONS

8.1 There are no equality implications arising from this report.

9 INFORMATION, COMMUNICATIONS AND TECHNOLOGY (ICT) IMPLICATIONS

9.1 There are no information, communication and technology (ICT) implications arising from this report.

10 LEGAL IMPLICATIONS

10.1 There are no legal implications arising from this report.
Legal Implications provided by Joyce Golder, Principal Solicitor on 020 7361 2181

11 FINANCIAL AND RESOURCES IMPLICATIONS

11.1 These are addressed throughout the report.

Chris Buss –DIRECTOR OF FINANCE

Local Government Act 1972 (as amended) – Background papers used in the preparation of this report.

2017-18 Capital budgets as set by Council in March 2017 which can be found at:
<http://www.rbkc.gov.uk/councilanddemocracy/howthecouncilmanagesmoney.aspx>

2017-18 budget monitoring files

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Attachments:

Appendix 1 2017/18 Detailed Capital Programme