

Capital Programme Financial Performance Report Quarter Two 2018/19 - Supporting Information

1. Introduction

- 1.1 This financial performance report, provided to Members quarterly, reports on progress with major capital schemes and forecast spend against the 2018/19 approved capital budget.
- 1.2 A capital budget for 2018/19 of £72.8 million was set by Council in March 2018 with funding of £25.5 million from external grants, £4.5 million section 106 contributions and Community Infrastructure Levy and with £42.8 million planned to be funded from borrowing. During the year budget changes may occur, mainly as a result of budgets brought forward from the previous financial year, additional grants and section 106 allocations received in year and spend re-profiled into 2019/20.
- 1.3 The repayment of principle and interest on loans which are used to fund capital spending are met from the revenue budget for capital financing and risk management. Forecast spend on this budget is reported in the Revenue Financial Performance Report.
- 1.4 At the end of Quarter Two, total spend of £80 million is forecast against the revised capital budget of £83.7 million and 69% of the revised budget has been committed. The Communities Directorate is forecasting an under spend of £937k mainly on Education schemes, the Economy and Environment Directorate is forecasting an under spend of £2.9 million on Highways schemes and the Resources Directorate is forecasting a net overspend of £24k mainly relating to property schemes.

Directorate Summary	Current Budget	Quarter One		Quarter Two		Change in Forecast from Last Quarter
		Forecast Spend in Year	Forecast (under)/Over Spend	Forecast Spend in Year	Forecast (under)/Over Spend	
	£'000	£'000	£'000	£'000	£'000	£'000
Communities	12,715	12,061	(654)	11,778	(937)	(283)
Economy & Environment	28,825	26,825	(2,000)	25,947	(2,878)	(878)
Resources	42,125	42,149	24	42,149	24	0
Totals	83,665	81,035	(2,630)	79,874	(3,791)	(1,161)

2. Revised Budget as at the end of Quarter Two 2018/19

- 2.1 During the year budget changes may occur, mainly as a result of budgets brought forward from the previous financial year, additional grants and section 106 allocations received in year and spend re-profiled into 2019/20. Allocations of additional funding of less than £50k can be approved by the Finance Manager and the relevant Head of Service and other budget changes must be approved by CSG set in the Council's Financial Regulations.
- 2.2 The revised budget at Quarter Two is £83.7million compared to an original budget of £72.8million. The change mainly consists £12.7million programme slippage from

the financial year 2017/18, which was agreed by CSG in May 2018 and which was explained in the Capital Outturn Report to the Executive on the 14th June 2018. The table below gives a breakdown of programme slippage by service and all other changes to the capital budget as at the end of Quarter Two.

Service Area	Original Budget 2018/19 £000	Budget Agreed by CSG to be Slipped from 2017/18 £000	Other Agreed Changes to 2018/19 Budget £000	Revised Budget for 2018/19 £000	Explanation of Other Agreed Changes	Approved by
COMMUNITIES DIRECTORATE						
Adult Social Care	1,309	310	75	1,694	£75k increase in cost of Care Director funded from savings in 2017/18 programme	CSG 19-7-18
Children & Family Services	20	44	42	106	Increase in cost of West Point refurbishment funded from Corporate Allocation (in Finance)	CSG 17-5-18
Education Services	10,355	516	44	10,915	£29k Additional School Condition Grant Received for 2018/19; £15k grant and revenue contributions to new SEND website	CSG 17-5-18 Finance Manager & HoS
Total for Communities Directorate	11,684	870	161	12,715		
ENVIRONMENT DIRECTORATE						
Development and Planning	4,267	579	0	4,846	None	
Public Protection & Culture	953	313	14	1,280	Additional revenue contribution for Newbury Library Boiler replacement	Finance Manager & HoS
Transport & Countryside	18,621	6,078	(2,000)	22,699	Re-profiling of Environment Agency Grant for Thatcham flood alleviation schemes	CSG 19-7-18
Total for Environment Directorate	23,841	6,970	(1,986)	28,825		
RESOURCES DIRECTORATE						
Finance and Property	32,349	4,506	(52)	36,803	£42k transferred to Children and Families re West Point refurbishment; £10k transferred to strategic support for disability adaptations	CSG 17-5-18 CSG 14-12-15
Customer Services and ICT	4,811	147	0	4,958	None	
Human Resources	0	61	0	61	None	
Legal	43	0	0	43	None	
Strategic Support	105	145	10	260	£10k allocated for disability adaptations as agreed in 2015/16	CSG 14-12-15
Total for Resource Directorate	37,308	4,859	(42)	42,125		
Totals	72,833	12,699	(1,867)	83,665		

3. Communities Directorate Quarter Two Review

Communities	Current Budget £'000	Quarter One		Quarter Two		Change in Forecast from Last Quarter £'000
		Forecast Spend in Year £'000	Forecast (under)/Over Spend £'000	Forecast Spend in Year £'000	Forecast (under)/Over Spend £'000	
Adult Social Care	1,694	1,694	0	1,694	0	0
Children & Family Services	106	113	7	113	7	0
Education Services	10,915	10,254	(661)	9,971	(944)	(283)
Totals	12,715	12,061	(654)	11,778	(937)	(283)

- 3.1 At the end of Quarter Two the directorate is forecasting capital spend of £11.7 million or 93% of the revised capital budget of £12.7million.
- 3.2 Adult Social Care is forecasting an online position at Quarter Two. No issues are currently reported with delivery of the programme which includes occupational therapy equipment, assistive technology, ICT and refurbishment of care homes.
- 3.3 Children and Family Services is forecasting a year end overspend of £7k against a £106k capital budget at Quarter Two. The forecast pressure is the result of works to a foster carer's home. The cost of works to a foster carer's home is estimated at £7k above the current year budget of £18k. The service has therefore requested funds to be brought forward from the 2019/20 budget for this purpose, if agreed the service will deliver an online position at the year end. In respect of major projects the refurbishment of West Point House is complete and the relocation of staff from York House is underway.
- 3.4 Education Services is forecasting an under spend of £944k against the current year's capital budget of £10.9 million. The forecast underspend has increased by £283k since Quarter One, primarily as a result of further delays to the Trinity and Aldermaston schemes.
- 3.5 The forecast under spend of £944k is net of £1.16million of spend on a number of schools schemes which is planned to be re-profiled to 2019/20. An additional saving of £174k achieved relating to the expansion of the Castle School which was completed in August. In year savings are also forecast on the expansion of Compton and Fir Tree primary schools giving total savings of £284k. However re-profiling of budgets and savings are offset by in year pressures of £502k, relating to planned maintenance of schools, the expansion of Theale and Winchcombe Primary Schools and the proposal to treat expenditure on aids and adaptations for disabled children as capital expenditure.
- 3.6 In respect of other major projects, construction of the new Highwood Copse School started in July and the school is planned to be completed in July 2019. Theale Parish Council has now agreed in principle to relinquish the lease on the land required for the relocation of Theale Primary school. Subject to finalising the new lease with the Englefield Estate and confirmation of the contract price, it is currently expected that construction will commence in February 2019 with completion scheduled for April 2020. Agreement about the design of the replacement of the East of Area PRU with Tilehurst Parish Council, who own the site, is yet to be resolved.

4. Economy and Environment Directorate Quarter Two Review

Economy & Environment	Current Budget	Quarter One		Quarter Two		Change in Forecast from Last
		Forecast Spend in Year	Forecast (under)/Over	Forecast Spend in	Forecast (under)/Over	
	£'000	£'000	£'000	£'000	£'000	£'000
Development & Planning	4,846	4,846	0	4,846	0	0
Public Protection & Culture	1,280	1,280	0	1,280	0	0
Transport & Countryside	22,699	20,699	(2,000)	19,821	(2,878)	(878)
Totals	28,825	26,825	(2,000)	25,947	(2,878)	(878)

- 4.1 At the end of Quarter Two the directorate is forecasting capital spend of £25.9 million, or 90% of the capital budget of £28.8 million.
- 4.2 The Development and Planning Service is forecasting an online position at Quarter Two. Although the service is currently planning to deliver the capital programme in year, problems with the relocation of some tenants of the Four Houses Corner Gypsy and Travellers site are ongoing and alternative options for the future of the site are now being considered. The funding of new temporary accommodation is also being reviewed with a view to using capital receipts and S106 to minimise the impact on the revenue budget for the housing service. The new transport planning model is on track to be completed in the third quarter of the financial year.
- 4.3 Public Protection and Culture is forecasting an online position at Quarter Two. Good progress is being made with the Public Protection and Culture programme, but it may be necessary to re-profile to 2019/20 some spending on the chemical store at the Northcroft Leisure Centre and on new energy saving schemes.
- 4.4 As reported at Quarter One by Transport and Countryside, £2 million Environment Agency Grant for the Dunstan Park and South East Thatcham Flood Alleviation Schemes has been re-profiled to 2019/20. A further £2.9million has been identified at Quarter Two which also needs to be re-profiled. This includes £1.2million for the A339/Bear Lane junction improvements for which the contract has now been awarded to Colas. However the start of the scheme is now scheduled for January 2019, so the majority of the cost will now be incurred in 2019/20. £980k spend on improvements to Station Road will be delayed to 2019/20, as this scheme is dependent on completion of the Station redevelopment by Great Western Rail. £350k LEP funding for the A4 cycleway improvements will also be delayed to tie in with the new racecourse junction which is scheduled for summer 2019.
- 4.5 The developer of the Kings Road link site has now commenced decontamination of the site, but the Council's contribution to the scheme cannot be finalised until Homes England funding has been finalised. Other schemes, including the surfacing programme, the new Newbury Bus Station, are progressing well.

5. Resources Directorate Quarter Two Review

Resources	Current Budget	Quarter One		Quarter Two		Change in Forecast from Last
		Forecast Spend in Year	Forecast (under)/Over	Forecast Spend in	Forecast (under)/Over	
	£'000	£'000	£'000	£'000	£'000	£'000
Finance & Property	36,803	36,842	39	36,842	39	0
Customer Services & ICT	4,958	4,958	0	4,958	0	0
Human Resources	61	61	0	61	0	0
Legal Services	43	28	(15)	28	(15)	0
Strategic Support	260	260	0	260	0	0
Totals	42,125	42,149	24	42,149	24	0

- 5.1 At the end of Quarter Two the directorate is forecasting capital spend of £42.15 million, or 100.1% of the capital budget of £42.13 million.
- 5.2 The Finance and Property Service is currently forecasting an over spend of £39k. Pressures have been identified relating to maintenance of non-corporate buildings

(£26k) and the Grazeley and Sandford developments (£13k). £35.1 million of the £36.8 million budget relates to Property Investments. At Quarter Two 2018/19, £32.7 million of the Property Investment budget had been committed. This brings the total amount spent from the original £50 million commercial property investment budget to £47.6 million (including expenditure in 2017/18). It is anticipated that the full amount of this budget will be committed by the year end. Council on the 3rd July 2018 approved an additional £50 million budget for investment in commercial property, which is not included in the budget figures shown above. The forecast profiling of spend against this additional budget will be reported at Quarter Three.

- 5.3 Customer Services and ICT are currently forecasting an on line position at Quarter Two. However it should be noted that the contracts with British Telecom and Gigaclear to deliver phase 3 of the Superfast Broadband project are both now subject to considerable delay. The impact of this delay on spend against the current year's capital budget will be reported at Quarter Three. It should also be noted that the current year budget for the corporate ICT replacement programme is overspent by £65k at the end of Quarter One and there is likely to be further pressure on this budget and/or it may be necessary to postpone the replacement of some equipment, now due, until next financial year.
- 5.4 Legal Services are forecasting online position at Quarter Two. Identified costs for capital schemes will either be funded from the budget for the scheme to which they relate or from the budget for legal capital salaries.
- 5.5 The Human Resources Service is forecasting that £15k of its budget in respect of the leave management module of the new HR/Payroll system will need to be re-profiled to 2019/20. The Myview module of the new Human Resources/Payroll system has now been deployed in 5 schools and continue to be rolled out to other users over the remainder of the financial year.
- 5.6 Strategic Support is forecasting an online position at Quarter Two. Members' community bids and parish planning grant programmes are expected to be fully allocated and claimed by year end.

6. Conclusion

- 6.1 The level of expenditure against the agreed Capital Programme will continue to be monitored by CSG and a further report will be made to the Executive at the end of Quarter Three.

7. Consultation and Engagement

- 7.1 John Ashworth – Corporate Director, Capital Strategy Group. Andy Walker – Head of Finance.

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

MEC – Become an even more effective Council

The proposals contained in this report will help to achieve the following Council Strategy priority:

MEC1 – Become an even more effective Council

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