

2019/20 Capital Programme Financial Performance Report Quarter Two – Supporting Information

1. Introduction/Background

- 1.1 This financial performance report, provided to Members quarterly, reports on progress with major capital schemes and forecast spend against the 2019/20 approved capital budget.
- 1.2 A capital budget for 2019/20 of £75 million was set by Council in March 2019 with funding of £20.8 million from external grants, £5.4 million section 106 contributions and Community Infrastructure Levy and with £48.8 million planned to be funded from borrowing.
- 1.3 The repayment of principal 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.

2. Revised Budget as at Quarter Two

- 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 2020/21. Allocations of additional funding of less than £50k can be approved by the Chief Financial Accountant and the relevant Head of Service, all other budget changes must be approved by Capital Strategy Group (CSG) as set in the Council's Financial Regulations.
- 2.2 The revised budget at Quarter Two is £90.6 million. As part of the yearend process for 2018/19 £8.5 million of re-profiling was agreed by CSG and is now included within the 2019/20 budget allocation. Appendix D gives a breakdown of programme slippage by service and all other changes to the capital budget.

3. Position as at Quarter Two

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
People	£18,605	£16,963	(£1,642)	£16,369	(£2,236)	(595)
Place	£32,831	£27,282	(£3,000)	£24,617	(£8,214)	(5,214)
Resources	£39,185	£4,215	(£35,000)	£4,266	(£34,918)	82
Totals	£90,621	£48,460	(£39,642)	£45,252	(£45,369)	(5,727)

3.1 At the end of Quarter Two expenditure of £45.2 million has been forecast against the revised budget of £90.6 million, an overall underspend of £45.3 million, 50% of the budget and an overall change of £5.7 million compared to Quarter One.

3.2 The key areas contributing to the underspend position are:

- (1) Commercial Property (within Finance and Property Services, Resources Directorate), forecast £35 million underspend. The forecast position remains unchanged from Quarter One.
- (2) Highways and Countryside forecasting approximately £6 million of underspend cumulative across the Sandleford Access Project and the Newbury railway Station Improvements Project.
- (3) Development and Planning, forecast £2 million underspend against the Four Houses Corner budget.
- (4) Education Services, forecasting a £2.3 million underspend across a number of school projects.

3.3 Highwood Copse School

Within the Quarter Two Education forecast, the Highwood Copse development is forecasting an underspend of £402k in 2019/20. However, total project costs are expected to increase with an anticipated additional pressure of £1.7 million being incurred in future years. The original contractor (Dawnus, appointed in May 2018), ceasing to trade in March 2019, and the contract has been retendered (now awarded to Feltham) via a mini completion process between Kier and Feltham. All payments made to Dawnus (original contractor), were fully quality assured and approved, building control signed off all completed works by Dawnus at all required stages. The additional cost pressure is generated from subtracting expenditure to date and forecast costs (including new costs from Feltham), from the original project budget. The cost pressure is inclusive of the project contingency of £120k. The additional cost pressure is comprised of:

- (1) £1.3 million relating to weather damage, rectification works, site security and sub-contractor works package cost increases from May 2018 to October 2019.
- (2) £400k relating to additional fees from new contractor.

In order to accommodate the future financial pressure, two currently Council funded projects (East of Area Pupil Referral Unit, and Castlegate) are to be converted to Community Infrastructure Levy (CIL) funding. Current CIL estimates allow for the reallocation of project funding freeing up capacity within the Council funded programme to absorb the additional Highwood Copse pressure.

3.4 The key changes from Quarter One are:

- (1) Forecast underspend against the Sandleford Access Project (£2.6 million). Project delays have resulted from issues relating to the Highwood Copse development.

- (2) Forecast underspend against the Newbury Train Station Improvements Project budget (£3.5 million). Commencement of the project has been delayed due to developer delays in the Market Street re-development.

4. People Directorate Review

People	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
Adult Social Care	£1,486	£1,640	£154	£1,636	£150	(5)
Children & Family Services	£7	£7	£	£7	£	0
Education Services	£17,112	£15,316	(£1,796)	£14,726	(£2,386)	(590)
Totals	£18,605	£16,963	(£1,642)	£16,369	(£2,236)	(595)

- 4.1 The directorate is forecasting an underspend of £2.2 million (12% of the budget).
- 4.2 Adult Social Care is forecasting an overspend of £150k relating to funding of Occupational Therapists capitalised as part of a corporate mitigation programme in 2018/19. The occupational Therapists are funded from the budget for the NRS equipment. Use of the NRS contract has been increased to deliver a revenue saving for doubled handed care.
- 4.3 Education Services is forecasting a £2.3 million underspend. Key projects influencing the forecast position are:
- (1) Theale Primary basic need, £354k overspend. The project is expected to complete during 2019/20, with all construction costs incurred in 2019/20.
 - (2) The Willink (expansion feasibility), £659k underspend. The project is currently delayed at the design stage.
 - (3) Speenhamland two form entry expansion project, £791k underspend (an increase of £145k compared to Quarter One). The project is delayed as awaiting for Land Acquisition Committee approval for project design. Works are now expected to commence in March 2020.
 - (4) Trinity School basic need, £384k overspend. The project is progressing more quickly than anticipated incurring additional costs in 2019/20.
 - (5) East Area Pupil Referral Unit redevelopment, £995k underspend. The project is significantly delayed due to need to re-design; planning issues and decision to slip project to align with a later move out date to reduce time in temporary accommodation contributing to the forecast position.
 - (6) Highwood Copse (Newbury area basic need) development, £402k underspend (forecast online at Quarter One). An underspend has been forecast for 2019/20 as a result of procurement delays in the tendering process. Total projects costs are expected to increase in subsequent financial years, indicative estimates suggest a £1.7 million additional pressure will be incurred.

- (7) Across the balance of the Education programme there are a number of smaller over and underspends of under £150k across multiple projects, inclusive of a £32k pressure on the Occupational Therapists budget relating to therapists capitalised as part of the 2018/19 in year savings programme.

4.4 Children & Family Services are forecasting an online position.

5. Place Directorate

Place	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
Development & Planning	£4,282	£1,385	(£2,809)	£2,323	(£1,959)	850
Public Protection & Culture	£2,594	£2,594	(£)	£2,336	(£258)	(258)
Transport & Countryside	£25,955	£23,303	(£191)	£19,958	(£5,997)	(5,806)
Totals	£32,831	£27,282	(£3,000)	£24,617	(£8,214)	(5,214)

5.1 At Quarter Two the directorate is forecasting an underspend of £8.2 million, (25% of the budget).

5.2 Development and Planning is forecasting a £1.9 million underspend, key projects contributing to the forecast position are:

- (1) Redevelopment of Four Houses Corner, £2 million underspend. Delays on the project have been incurred through issues with existing occupants vacating the site allowing for works to commence. The budget is anticipated to be re-profiled into 2020/21.
- (2) Disabled Facilities Grant, £559k underspend. Demand led budget.
- (3) Across the balance of the Development and Planning programme there are a number of smaller over and underspends of under £60k across multiple projects.

5.3 Transport and Countryside is forecasting a £5.9 million underspend. The key projects contributing to the forecast position are:

- (1) Sandleford access improvements, £2.6 million underspend forecast due to delay in Highwood Copse development. It is anticipated that the budget will be re-profiled into 2020/21.
- (2) Newbury Railway Station Improvements, £3.5 million forecast underspend. It is anticipated that the budget will be re-profiled into 2020/21.
- (3) Across the balance of the Highways and Countryside programme there are a number of smaller over spends of under £60k across multiple projects.

5.4 Public Protection and Culture are forecasting a £258k underspend. The key projects contributing to the forecast position are:

- (1) Solar Photovoltaics Project, £210k forecast underspend as a result of a re-scoping exercise. It is anticipated that £210k will be re-profiled into 2020/21 to accommodate expenditure on further installations.
- (2) Libraries Book Stock, £70k forecast underspend. The budget manager has reassessed the expected level of expenditure on stock within the current year.
- (3) Across the balance of the Public Protection and Culture programme there are a number of smaller over and under spends across multiple projects.

6. Resources Directorate

Resources	Current Budget	Quarter One		Quarter Two		Change in Forecast from Last
		Forecast Spend in	Forecast (under)/Over	Forecast Spend in	Forecast (under)/Over	
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services & ICT	£1,502	£1,532	£	£1,401	(£101)	(101)
Finance & Property	£2,243	£2,243	£	£2,243	£	0
Finance & Property - Commercial Property	£35,000	£	(£35,000)	£	(£35,000)	0
Human Resources	£61	£61	(£)	£61	(£)	0
Strategic Support & Legal	£344	£344	£	£375	£31	31
Chief Executive	£35	£35	£	£187	£152	152
Totals	£39,185	£4,215	(£35,000)	£4,266	(£34,918)	82

- 6.1 At Quarter Two the directorate is forecasting an underspend of £34.9 million, (89% of the budget).
- 6.2 The key projects contributing to the forecast position are:
 - (1) Commercial Property, £35 million forecast underspend. No properties have been purchased in the current financial year.
 - (2) A £101k underspend has been forecast across the Customer Services and IT budgets.
 - (3) A £152k overspend has been forecast against the Chief Executives budget relating to the London Road Industrial Estate Development.

7. Options for Consideration

- 7.1 None

8. Proposals

- 8.1 None

9. Conclusion

- 9.1 Progress with all capital schemes and in particular those which are considered to be high risk, will continue to be monitored by CSG throughout the financial year. The final outturn position will be reported to Executive in June 2020.

10. Consultation and Engagement

10.1 Andy Walker – Head of Finance and Property

Subject to Call-In:

Yes: ☐ No: X

The item is due to be referred to Council for final approval	<input type="checkbox"/>
Delays in implementation could have serious financial implications for the Council	<input type="checkbox"/>
Delays in implementation could compromise the Council's position	<input type="checkbox"/>
Considered or reviewed by Overview and Scrutiny Management Commission or associated Task Groups within preceding six months	<input type="checkbox"/>
Item is Urgent Key Decision	<input type="checkbox"/>
Report is to note only	X

Officer details:

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Appendix D

2019/20 Budget Changes

Service Area	Original Budget 2019/20 £000	Budget Agreed by CSG to be Slipped from 2018/19 £000	Other Agreed Changes to 2019/20 Budget £000	Revised Budget for 2019 / 20 £000	Explanation of Other Agreed Changes	Approved by
PEOPLE DIRECTORATE						
Adult Social Care	£1,576	(£90)	£0	£1,486		
Children & Family Services	£13	(£6)	£0	£7		
Education Services	£16,120	£992	£0	£17,112		
Total for Communities Directorat	£17,709	£896	£0	£18,605		
PLACE DIRECTORATE						
Development and Planning	£3,582	£612	£88	£4,282	Reverse of slippage re Travel Plans 81455	
Public Protection & Culture	£2,379	£216	(£1)	£2,594		
Transport & Countryside	£12,645	£6,374	£6,936	£25,955	£1.9 m reprofiled from 18/19	CSG 19/07/18
					£2,575m reprofiled from 18/19	CSG 08/11/18
					£2.4m re-profiled from 18/19	Approved Feb 19
					Additional S106 funding for Countryside	CSG 05/09/19
Total for Environment Directorat	£18,606	£7,202	£7,023	£32,831		
RESOURCES DIRECTORATE						
Customer Services and ICT	£1,416	£82	£4	£1,502	£4k to ICT for Lone working	CSG 09/05/19
Finance & Property	£1,996	£165	£6	£2,167	£6k to Finance for IDEA Software	CSG 09/05/19
Finance & Property : Corporate Allocation Budget	£98	£0	(£22)	£76	£4.5k to ICT for Lone Working, £12k to Legal for Iken, £6k to finance for IDEA Software	CSG 09/05/19
Finance & Property : Commercial Property Budget	£35,000	£0	£0	£35,000		
Human Resources	£0	£61	£0	£61		
Strategic Support & Legal	£161	£171	£12	£344	£12k To Legal for Iken	CSG 09/05/19
Chief Exec	£35	£0	£0	£35		
Total for Resource Directorate	£38,706	£479	£0	£39,185		
Totals	£75,021	£8,577	£7,023	£90,621		