

2019/20 Capital Financial Performance Report - Outturn

Committee considering report:	Overview and Scrutiny Management Commission
Date of Committee:	28 July 2020
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed report:	1 July 2020
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX3802

1 Purpose of the Report

- 1.1 The financial performance reports provided to Members, throughout the financial year, report the under or over spend against the Council's approved capital budget. This report presents the provisional capital outturn for the Council in respect of financial year 2019/20. It should be noted that these figures are provisional and may change as a result of External Audit.

2 Recommendations

- 2.1 The capital provisional outturn position and the level of budget to be carried forward to 2020/21 should be noted.
- 2.2 Members agree a new £909k capital budget funded from Council borrowing to be included within the current approved 2020/21 capital programme to enable the delivery of the Care Director upgrade.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	<p>The provisional outturn is a £52.4 million underspend against the 2019/20 revised capital budget of £91.9 million. £35 million of the underspend relates to the Commercial Property budget which was not spent during 2019/20.</p> <p>£14.5 million, is proposed to be re-profiled into 2020/21 to enable the continuation of ongoing capital schemes.</p>

	A new £909k Council funded capital project for the upgrade of the existing Care Director system is proposed. This budget will be over and above the approved capital programme for 2020/21 – 2022/23 as agreed by Council in March 2020. The additional project will create additional capital financing costs of approximately £100k per annum from 2021/22 within the revenue capital financing budget.			
Human Resource:	Not applicable			
Legal:	Not applicable			
Risk Management:	Future risk identified relating to the Covid pandemic is the potential for engaged suppliers to default on contractual obligations through financial difficulties. Budget managers and CSG are currently undertaking a review to highlight projects with potential suppliers of concern and where there is a risk of default and/or the potential to retender agreed contracts at potentially higher cost.			
Property:	Not applicable			
Policy:	Not applicable			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		

B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:		X		
Data Impact:		X		
Consultation and Engagement:	<p>Capital Strategy Group chaired by Joseph Holmes, Executive Director for Resources, s151 officer.</p> <p>Andy Walker – Head of Finance & Property</p>			

4 Executive Summary

4.1 Total capital expenditure incurred in 2019/20 was £39.5 million against the £91.9 million revised budget.

Directorate Summary	Quarter Three			Outturn				Total Slippage requested
	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	Spend as a % of budget	
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
People	£18,620	£15,976	(£2,644)	£18,665	£14,064	(£4,601)	75%	£1,777
Place	£30,989	£22,968	(£8,021)	30,989	21,264	(£9,725)	69%	9,553
Resources (excluding commercial property)	£7,279	£6,831	(£448)	£7,279	£4,192	(£3,087)	58%	£3,136
Commercial Property	£35,000	£	(£35,000)	£35,000	£	(£35,000)	0%	£
Totals	£91,888	£45,775	(£46,112)	£91,933	£39,521	(£52,412)	43%	£14,466

4.2 The key areas contributing to the underspend position are:

- (a) The £35 million Commercial Property budget (within Finance and Property Services, Resources Directorate), has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions, on this basis it has not be proposed to slip the unutilised budget into 2020/21.
- (b) Transport and Countryside ended the year with a £7.2 million of underspend cumulative across the service, £6.1 million of the underspend relates to delays in the Sandleford Access Project and the Newbury railway Station Improvements Project. CSG agreed at Quarter Three of the financial year to re-profile anticipated expenditure against these projects into 2020/21.
- (c) Education Services ended the year with a £4.3 million underspend across a number of school projects, most notably Highwood Copse (£1.2 million), The Willink (£636k) and Speenhamland Primary two form entry project (£793k) and the Eastern Area Pru (£989k). £2.8 million of the underspend has already been agreed to be re-profiled into the 2020/21 – 2022/23 approved capital programme as part of the budget setting process.

4.3 Based on the financial performance against the approved Capital Programme as at the yearend, Capital Strategy Group have proposed that planned expenditure from 2019/20 is to be re-profiled into 2020/21 and future years. A number of projects, primarily within Development & Planning (purchase of temporary accommodation), Public Protection & Culture (Solar Photovoltaics), and feasibility studies and planned maintenance across Education projects incurred delays at the yearend as a result of national lockdown procedures in response to the Covid pandemic. Issues identified related to accessibility to sites to enable construction works to continue, disruptions of suppliers chains, closure of estate agents and vendors preventing conclusion of temporary accommodation purchases and the diverting of internal resources to focus on business continuity issues. The level of expected re-profiling of project expenditure from 2019/20 into 2020/21 and later years has therefore increased between Quarter Three and the yearend. It is proposed that £14.5 million of expenditure is re-profiled into 2020/21.

5 Supporting Information

Introduction

5.2 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 of section 106 contributions (s106) and Community Infrastructure Levy (CIL), with £48.8 million of expenditure planned to be funded from external borrowing. The repayment of principal sums and interest on loans used to fund capital expenditure are met from the revenue budget for capital financing and risk management. Forecast spend against this budget is reported in the Revenue Financial Performance Report.

5.3 During the financial year budget changes have occurred, mainly as a result of budgets brought forward from prior financial years, additional grants, s106 and CIL allocations

received in year and expenditure re-profiled in future financial years. Changes of less than £250k can be approved by the s151 Officer in conjunction with the portfolio holder, all other changes must be approved by Capital Strategy Group (CSG) and reported to Executive as set out in the Council's Financial Regulations. As part of the annual closure of the accounts process, the yearend position of the capital projects is reviewed and proposals for unutilised budgets to be re-profiled into subsequent financial years is reviewed by Capital Strategy Group (CSG).

- 5.4 The capital programme at the yearend was £91.9 million, Appendix A gives a breakdown of budget changes during 2019/20.

Background

- 5.5 Total capital expenditure incurred in 2019/20 was £39.5 million against the £91.9 million revised budget.

Directorate Summary	Quarter Three			Outturn			
	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	Spend as a % of budget
	£'000	£'000	£'000	£'000	£'000	£'000	
People	£18,620	£15,976	(£2,644)	£18,665	£14,064	(£4,601)	75%
Place	£30,989	£22,968	(£8,021)	30,989	21,264	(£9,725)	69%
Resources (excluding commercial property)	£7,279	£6,831	(£448)	£7,279	£4,192	(£3,087)	58%
Commercial Property	£35,000	£	(£35,000)	£35,000	£	(£35,000)	0%
Totals	£91,888	£45,775	(£46,112)	£91,933	£39,520	(£52,413)	43%

- 5.6 The main contributing factors to the £52 million underspend were:

- The £35 million Commercial Property budget (within Finance and Property Services, Resources Directorate), has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions, on this basis it has not be proposed to slip the unutilised budget into 2020/21.
- Transport and Countryside ended the year with a £7.2 million of underspend cumulative across the service, £6.1 million of the underspend relates to delays in the Sandleford Access Project and the Newbury railway Station Improvements Project. CSG agreed at Quarter Three of the financial year to re-profile anticipated expenditure against these projects into 2020/21.
- Education Services ended the year with a £4.3 million underspend across a number of school projects, most notably Highwood Copse (£1.2 million), The Willink (£636k) and Speenhamland Primary two form entry project (£793k) and the Eastern Area Pru (£989k). £2.8 million of the underspend has already been agreed to be re-profiled into the 2020/21 – 2022/23 approved capital programme as part of the budget setting process.

- 5.7 A number of projects across the Directorates incurred delays at the yearend as a result of national lockdown procedures in response to the Covid pandemic. Issues identified

2019/20 Capital Financial Performance Report - Outturn

related to accessibility to sites to enable construction works to continue, disruptions of suppliers chains, closure of estate agents and vendors preventing conclusion of temporary accommodation purchases and the diverting of internal resources to focus on business continuity issues. The level of expected re-profiling of project expenditure from 2019/20 into 2020/21 and later years has therefore increased between Quarter Three and the yearend. On average annually £8 – £10 million of re-profiling occurs at the end of each financial year, for 2019/20 it is proposed that £14.5 million of expenditure is re-profiled.

- 5.8 A future risk identified relating to the Covid pandemic is the potential for engaged suppliers to default on contractual obligations through financial difficulties. Budget managers and CSG are currently undertaking a review to highlight projects with potential suppliers of concern and where there is a risk of default and/or the potential to retender agreed contracts at potentially higher cost.

The People Directorate

People	Quarter Three			Outturn			Spend as a % of budget
	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	£1,501	£1,573	72	£1,546	£1,326	(£220)	86%
Children & Family Services	£7	£7	0	£7	£	(£7)	0%
Education Services	£17,112	£14,395	(£2,717)	£17,112	£12,738	(£4,374)	74%
Totals	£18,620	£15,976	(£2,644)	£18,665	£14,064	(£4,601)	75%

- 5.9 The People Directorate ended the year with expenditure of £14 million against a revised budget of £18.6 million.

- (a) Adult Social Care: The Occupational Therapy Equipment budget was underspent by £361k at the yearend. £141k of the underspend has been utilised to offset overspends against care homes capital works budgets, primarily relating to remedial works undertaken at Willows Edge.
- (b) Education Services: Underspends were incurred against a number of school projects most notably Highwood Copse (£1.2 million), The Willink (£636k) and Speenhamland Primary two form entry project (£793k) and the Eastern Area Pru (£989k). A number of projects primarily feasibility studies and planned maintenance were delayed at the yearend due to Government dictated lockdown procedures in response to the Covid pandemic.

The Place Directorate

Place	Quarter Three			Outturn			Spend as a % of budget
	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development & Planning	£2,382	£2,318	(£64)	£2,382	£1,636	(£746)	69%
Public Protection & Culture	£2,652	£1,120	(£1,532)	£2,652	£877	(£1,775)	33%
Transport & Countryside	£25,955	£19,531	(£6,424)	£25,955	£18,751	(£7,204)	72%
Totals	£30,989	£22,968	(£8,021)	£30,989	£21,264	(£9,725)	69%

5.10 The Place Directorate ended the year with expenditure of £21.2 million against a revised budget of £30.9 million.

- (a) Development and Planning ended the year with a £746k underspend. The underspend was mainly attributable to works relating to Four Houses Corner (£162k) and purchase of temporary accommodation (£561k). The Four Houses Corner project has been delayed due to site access issues, £1.9 million of proposed expenditure relating to Four Houses Corner was agreed by CSG and re-profiled into 2020/21 at Quarter Two during 2019/20. Delays in the purchase of temporary accommodation were incurred at the end of 2019/20 as a result of estate agents closing as part of Government dictated Covid lockdown procedures.
- (b) Public Protection and Culture ended the year with a £1.7 million underspend. The underspend was mainly attributable to delays in the Solar Photovoltaics project (£670k), caused by technical issues with building feasibility and the panel supplier (based in Scotland) suspending work in response to the Covid lockdown procedures. Further underspends were incurred across multiple service maintenance budgets (leisure centres £326k, Museum £118k, culture £352k).
- (c) Transport and Countryside ended the year with a £7.2 million of underspend cumulative across the service, £6.1 million of the underspend relates to delays in the Sandleford Access Project and the Newbury railway Station Improvements Project. CSG agreed at Quarter Three of the financial year to re-profile anticipated expenditure against these projects into 2020/21.

The Resources Directorate

Resources	Quarter Three			Outturn			Spend as a % of budget
	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services & ICT	£4,631	£3,915	(£716)	£4,631	£1,658	(£2,973)	36%
Finance & Property	£2,208	£2,294	£86	£2,208	£2,209	£1	100%
Finance & Property - Commercial Property	£35,000	£0	(£35,000)	£35,000	£0	(£35,000)	0%
Human Resources	£61	£61	(£)	£61	£29	(£32)	47%
Strategic Support & Legal	£344	£375	£31	£344	£239	(£105)	69%
Chief Executive	£35	£187	£152	£35	£58	£23	167%
Totals	£42,279	£6,831	(£35,448)	£42,279	£4,192	(£38,087)	10%

5.11 The Resources Directorate ended the year with expenditure of £4.1 million against a budget of £42.2 million, inclusive of the Commercial Property budget allocation of £35 million.

- (a) The £35 million Commercial Property budget (within Finance and Property Services, Resources Directorate), has not been utilised during 2019/20. During 2019/20 the Government announced that PWLB rates could no longer be accessed to fund assets used primarily to generate yield. On 23rd April 2020 the Property Investment Board (PIB) agreed a suspension in future commercial property acquisitions.

- (b) Customer Services and ICT ended the year with a £2.9 million underspend. £2.4 million of the underspend is attributable to delays in the superfast broadband project which has been forecast throughout the 2019/20 financial year. Further underspends were cumulatively incurred across corporate replacement budgets.

Proposals

5.12 Capital Strategy Group on the 28th May reviewed the outturn position in detail and propose that re-profiling of £14.5 million should be carried forward into 2020/21 to enable the continuation of schemes already underway. The table below details outturn against revised budget and proposed re-profiling into 2020/21.

Directorate Summary	Outturn				Total Slippage requested at Outturn	Slippage already re-profiled into 2020/21 and future years	Total Funds Slipped into 20/21 and future years
	Budget at Outturn	Expenditure in 2019/20	Outturn Variance to Budget	Spend as a % of budget			
	£'000	£'000	£'000		£'000	£'000	£'000
People	£18,665	£14,064	(£4,601)	75%	£1,777	£2,801	£4,577
Place	30,989	21,264	(£9,725)	69%	9,553	£	9,553
Resources (excluding commercial property)	£7,279	£4,192	(£3,087)	58%	£3,136	£	£3,136
Commercial Property	£35,000	£	(£35,000)	0%	£	£	£
Totals	£91,933	£39,521	(£52,412)	43%	£14,466	£2,801	£17,266

5.13 The main areas of proposed re-profiling are:

- (a) **People Directorate:** Education Services ended the year with a £4.3 million underspend across a number of school projects, most notably Highwood Copse (£1.2 million), The Willink (£636k) and Speenhamland Primary two form entry project (£793k) and the Eastern Area Pru (£989k). £2.8 million of the underspend has already been agreed to be re-profiled into the 2020/21 – 2022/23 approved capital programme as part of the budget setting process. The service is proposing a further £1.5 million is re-profiled into 2020/21 to complete existing projects.
- (b) **Place Directorate:** Transport and Countryside ended the year with a £7.2 million of underspend cumulative across the service and is proposing to re-profile £6.9 million into 2020/21 and later years. The main element of the proposed re-profiling is £6.1 million relating to the Sandleford Access Project and the Newbury railway Station Improvements Project which have both been subject to developer delays. CSG agreed at Quarter Three of the financial year to re-profile anticipated expenditure against these projects into 2020/21.
- (c) **Place Directorate:** Public Protection and Culture ended the year with a £1.7 million underspend. The underspend was mainly attributable to delays in the Solar Photovoltaics project (£670k), and underspends across maintenance budgets (leisure centres £326k, Museum £118k, culture £352k). The service is proposing that £1.7 million of proposed expenditure is re-profiled into 2020/21.
- (d) **Place Directorate:** Development and Planning ended the year with a £746k underspend. The underspend was mainly attributable to works relating to Four Houses Corner (£162k) and purchase of temporary accommodation (£561k). The

service is proposing to re-profile £162k of expenditure in respect of Four Houses Corner into 2020/21, £1.9 million of proposed expenditure relating to Four Houses Corner was agreed by CSG and re-profiled into 2020/21 at Quarter Two during 2019/20. The service is proposing to re-profile £561k relating to the purchase of temporary accommodation into 2020/21.

- (e) **Resources Directorate:** Customer Services and ICT ended the year with a £2.9 million underspend. The majority of the underspend is attributable to delays in the superfast broadband projects (£2.4 million), with further underspends incurred against corporate replacement projects. The service is proposing that £2.8 million of proposed expenditure is re-profiled into 2020/21.

5.14 Across the whole capital programme £14.5 million of expenditure is proposed to be re-profiled into 2020/21.

5.15 Post setting of the 2020/21 – 2022/23 capital programme, a new project relating to the upgrade of the Care Director system used by both Adult Social Care and Children and Family Services has been identified. The proposed project has a capital requirement in 2020/21 of £909k. It is proposed that this project is included in an amended capital programme for 2020/21. The project will incur an additional capital financing cost of approximately £100k per annum (as of 2021/22) which will require funding through the revenue capital financing budget.

6 Other options considered

6.1 No other options have been considered.

7 Conclusion

7.1 At the yearend expenditure totalling £39.5 million was incurred against a capital programme budget of £91.9 million. In respect of funding the capital programme, £32.3 million of external funding in the form of s106, Community Infrastructure Levy (CIL) and external grants were applied to the programme in 2019/20.

8 Appendices

8.1 Appendix A – 2019/20 Budget Changes

Subject to Call-In:

Yes: ☒

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2			

Appendix A

Budget Changes 2019/20

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)	£60	£1,546	Additional £15k Grant Funding OT's 86008. Additional DFG funding in OT's £45k.	
Children & Family Services	£13	(£6)	£0	£7		
Education Services	£16,120	£992	£0	£17,112		
Total for Communities Directorate	£17,709	£896	£60	£18,665		
PLACE DIRECTORATE						
Development and Planning	£3,582	£612	(£1,812)	£2,382	Reverse of slippage re Travel Plans 81455 £88k, Reprofile Four Houses to 20/21 £1.9m	
Public Protection & Culture	£2,379	£216	£57	£2,652	£35k Newbury Lido/£22k S106 Funding. Libraries PC Replacement S106 funding £23k	CSG 21/10/19
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 Directorate	£18,606	£7,202	£5,181	£30,989		
RESOURCES DIRECTORATE						
Customer Services and ICT	£1,416	£82	£3,133	£4,631	£4k to ICT for Lone working	CSG 09/05/19
					£3,129 for Superfast Broadband	
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	(£57)	£41	£4.5k to ICT for Lone Working, £12k to Legal for Iken, £6k to finance for IDEA Software, £35k Newbury Lido	CSG 21/10/19 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	£3,094	£42,279		
Totals	£75,021	£8,577	£8,335	£91,933		