

Capital Financial Performance Report Quarter Three 2020/21

Committee considering report:	Overview and Scrutiny Management Commission
Date of Committee:	20 April 2021
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed sent:	25 February 2021
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX3912

1 Purpose of the Report

The financial performance report provided to Members on a quarterly basis reports on the under or over spends against the Council's approved capital budget. This report presents the Quarter Three financial position.

2 Recommendation(s)

No recommendations have been made within this report. Members are to note the forecast financial position as at Quarter Three.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	At the end of Quarter Three, expenditure of £42.9 million has been forecast against a revised budget of £48.3 million, an overall forecast underspend of £5.4 million.
Human Resource:	Not applicable
Legal:	Not applicable
Risk Management:	Any further significant delays in project delivery impact on the provisional budget for 2021/22 and subsequent years.

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:	Joseph Holmes, Executive Director for Resources, s151 Officer Capital Strategy Group (CSG)			

4 Executive Summary

4.1 At the end of Quarter Three, expenditure of £42.9 million has been forecast against a revised budget of £48.3 million, an overall forecast underspend of £5.4 million.

Directorate Summary	Quarter Two			Quarter Three		
	Budget at Q2	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend
	£'000	£'000	£'000	£'000	£'000	£'000
People	£18,136	£14,681	(£3,455)	£15,778	£14,023	(£1,755)
Place	£31,162	£24,459	(£6,703)	£25,396	£23,237	(£2,159)
Resources	£7,592	£5,404	(£2,188)	£7,093	£5,625	(£1,468)
Chief Executive	£0	£0	£0	£0	£0	£0
Totals	£56,890	£44,544	(£12,346)	£48,267	£42,885	(£5,382)

4.2 The main contributing factors to the forecast position are:

- (a) Education Services is forecasting a £1.4 million underspend driven primarily by a delay in the i-College (formally Eastern Area PRU) project (£493k) through delays in agreeing new lease terms with the Parish Council, and delays to the Speenhamland project through redesign and re procuring a contractor (£427k). The planned maintenance budgets have been impacted by the COVID pandemic with delays in feasibility studies and commencement of works.
- (b) Development and Planning are forecasting a £1.7 million underspend consisting of delays in delivering the Four Houses Corner redevelopment (£1.6 million), and underspends against the demand led Disabled Facilities Grant (£368k), offset by an overspend against the purchases of temporary accommodation budget (£282k).
- (c) Public Protection & Culture are forecast an underspend of £768k, attributable to delays in undertaking maintenance across key sites including Shaw House, Museum and Libraries (£448k), delays in commencing projects relating to leisure centre modernisations (£285k) and underspends against the renewal of library books budget (£35k).

4.3 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 closely monitoring these risks 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.

5 Supporting Information

Introduction

- 5.1 A capital budget for 2020/21 of £42.5 million was set by Council in March 2020 with funding of £21.4 million from external grants, £6.2 million of section 106 contributions (s106) and Community Infrastructure Levy (CIL), with £14.8 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.
- 5.2 During the financial year budget changes may occur, 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 budget monitoring process, the forecast year end 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). Appendix A provides a breakdown of budget changes as at Quarter Three.

Background

- 5.3 Total forecast capital expenditure for financial year 2020/21 as at Quarter Three is £42.9 million against a revised capital programme of £48.3 million, generating a forecast underspend position of £5.4 million.

Directorate Summary	Quarter Two			Quarter Three		
	Budget at Q2	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend
	£'000	£'000	£'000	£'000	£'000	£'000
People	£18,136	£14,681	(£3,455)	£15,778	£14,023	(£1,755)
Place	£31,162	£24,459	(£6,703)	£25,396	£23,237	(£2,159)
Resources	£7,592	£5,404	(£2,188)	£7,093	£5,625	(£1,468)
Chief Executive	£0	£0	£0	£0	£0	£0
Totals	£56,890	£44,544	(£12,346)	£48,267	£42,885	(£5,382)

- 5.4 £7.3 million of expenditure was agreed by Capital Strategy Group and reprofiled into future financial years at Quarter Two. Projects across the directorates, most notably in Education Services have been impacted by the COVID pandemic resulting in reprofiling. Impacts have been through delays to the commencement of works due to access issues and via an ongoing risk relating of the potential for engaged suppliers to default on contractual obligations through financial difficulties. Budget managers and CSG are closely monitoring these risks 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 Two			Quarter Three		
	Budget at Q2	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend
	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	£2,190	£1,895	(£295)	£2,273	£1,915	(£358)
Children & Family Services	£20	£20	£0	£20	£0	(£20)
Education Services	£15,926	£12,766	(£3,160)	£13,485	£12,108	(£1,377)
Totals	£18,136	£14,681	(£3,455)	£15,778	£14,023	(£1,755)

5.5 The directorate is forecasting capital expenditure of £14 million against a £15.8 million budget. Delays in the commencement and completion of planned maintenance works at residential care homes (£212k) as a result of the Covid pandemic and reprofiling of milestone payments relating to the Care Director upgrade project (£146k) have generated the forecast underspend in Adult Social Care. The forecast underspend position across the directorate is mainly attributable to Education Services. The Education Services forecast position is being driven by key underspends against:

- (a) Delays in the i-College (formally Eastern Area PRU) development (£493k) as lease negotiations with the Parish Council remain ongoing.
- (b) Delays in the Speenhamland development (£427k) as a result of changes in the project scope and having to reprocur a design team and contractor.
- (c) Delays in feasibility studies and commencement of works across a number of projects due to the current construction industry market environment.

The Place Directorate

Place	Quarter Two			Quarter Three		
	Budget at Q2	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend
	£'000	£'000	£'000	£'000	£'000	£'000
Development & Planning	£4,478	£3,403	(£1,075)	£4,640	£2,952	(£1,688)
Public Protection & Culture	£2,458	£2,472	£14	£1,858	£1,090	(£768)
Environment	£24,226	£18,584	(£5,642)	£18,898	£19,195	£297
Totals	£31,162	£24,459	(£6,703)	£25,396	£23,237	(£2,159)

5.6 The directorate is forecasting capital expenditure of £23.2 million against a budget of £25.4 million. The forecast underspend position is the result of:

- (a) Development and Planning are forecasting a £1.7 million underspend consisting of delays in delivering the Four Houses Corner redevelopment (£1.6 million), and underspends against the demand led Disabled Facilities Grant (£368k), offset by an overspend against the purchases of temporary accommodation budget (£282k).
- (b) Public Protection & Culture are forecast an underspend of £768k, attributable to delays in undertaking maintenance across key sites including Shaw House, Museum and Libraries (£448k), delays in commencing projects relating to leisure

centre modernisations (£285k) and underspends against the renewal of library books budget (£35k).

- (c) Environment is forecasting a £297k overspend. The net overspend position is mainly attributable to overspends against flood alleviation works and drainage works across the district (£352k), highways structure improvements including carriage patching (£479k), cycle way improvements (£260k) and an overspend against the Newbury Rail Station Improvement project (£480k). Current overspends are offset through underspends against delays in the solar panel project phase 2 (£600k), bridge maintenance (£375k), footways improvements (£220k) and upgrade of the transport fleet (£100k).

The Resources Directorate

Resources	Quarter Two			Quarter Three		
	Budget at Q2	Forecast Spend in Year	Forecast (under)/Over Spend	Budget at Q3	Forecast Spend in Year	Forecast (under)/Over Spend
	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services & ICT	£4,877	£3,116	(£1,761)	£4,183	£3,489	(£694)
Finance & Property	£2,312	£1,886	(£426)	£2,507	£1,854	(£653)
Human Resources	£32	£32	(£0)	£32	£8	(£25)
Strategy & Governance	£371	£371	(£1)	£371	£275	(£97)
Totals	£7,592	£5,404	(£2,188)	£7,093	£5,625	(£1,468)

5.7 The directorate is forecasting capital expenditure of £5.6 million against a budget of £7 million. The forecast underspend position is the result of:

- (a) Customer Services & ICT are forecasting a £694k underspend which is driven by underspends against a range of projects requiring to be re-visited due to the office accommodation review which is underway along with a forecast underspend in delivering Superfast Broadband Infrastructure (£588k).
- (b) The forecast underspend in Finance & Property of £653k mainly relates to COVID restrictions in delivering the corporate buildings capital maintenance programme.
- (c) The forecast underspend in Strategy & Governance is attributable to members' bids.

Proposals

No proposals are made within this report. Report is to note only.

6 Other options considered

No other options were considered.

7 Conclusion

7.1 At Quarter Three expenditure of £42.9 million has been forecast against the revised budget of £48.3 million, resulting in a forecast underspend of £5.4 million.

8 Appendices

Appendix A – Budget Changes as at Quarter Three

Subject to Call-In:

Yes: No: X

- 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 Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only X

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2			

2020/21 Budget Changes as at Quarter Three

Service Area	Original Budget 2020/21 £000	Budget Agreed by CSG to be Re-profiled from 2019/20 £000	Agreed Re-profiling at Q2 £000	Agreed Re-profiling at Q3 £000	Other Changes to 2020/21 Budget £000	Revised Budget for 2020 / 21 £000	Explanation of Other Agreed Changes	Approved by CSG
PEOPLE DIRECTORATE								
Adult Social Care	£1,388	£226	£0		£660	£2,273	Revenue contribution to capital (RCCO) ref Modernising ASC - £84k/ Notrees Heating - £170k. Care director V6 - £323k, £83k additional DFG grant received 21.12.20	30.04.20
Children & Family Services	£20	£0	£0		£0	£20		
Education Services	£14,375	£1,551	(£2,508)		£67	£13,485	Increase in grant and school funding £67k	
Total for Communities Directorate	£15,783	£1,777	(£2,508)	-	£726	£15,778		
PLACE DIRECTORATE								
Development and Planning	£1,703	£2,664	£0		£273	£4,640	Housing ICT System - £111k, £162k additional DFG received 21.12.20	27.02.20
Public Protection & Culture	£1,160	£1,094	£0		£204	£2,458	PPP One System - £204k	27.02.20
Environment	£19,499	£1,556	(£4,120)		£1,363	£18,298	New DFT Challenge Funding (£3.048)/ Local Cycling and Walking Infrastructure Delivery Plan (£124k). Removal of projects (£1.8m)	16.07.20
Total for Environment Directorate	£22,362	£5,313	(£4,120)		£1,840	£25,396		
RESOURCES DIRECTORATE								
Customer Services and ICT	£2,041	£2,836	(£694)		(£0)	£4,183		
Finance & Property	£2,108	£135	£0		£264	£2,507	RCCO for Income Manager - £70k, £195k 4, The Sector works	30.04.20 / 15.10.20
Human Resources	£0	£32	£0		£0	£32		
Strategic Support & Legal	£237	£134	£0		£0	£371		
Chief Exec	£0	£0	£0		£0	£0		
Total for Resource Directorate	£4,386	£3,136	(£694)		£265	£7,093		
Totals	£42,531	£10,226	-£7,322	£0	£2,831	£48,267		