
Capital Financial Performance Report Outturn 2020/21

Committee considering report:	Executive
Date of Committee:	10 June 2021
Portfolio Member:	Councillor Ross Mackinnon
Date Head of Service agreed report: <i>(for Corporate Board)</i>	11.5.2021
Date Portfolio Member agreed sent:	14.5.2021
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX3915

1 Purpose of the Report

The financial performance report provided to Members reports on the under or over spends against the Council's approved capital budget. This report presents the provisional outturn position for financial year 2020/21.

2 Recommendations

2.1 The following recommendations are made to members:

- (a) Approve the re-profiling of £9.9 million of expenditure from 2020/21 into financial year 2021/22 as recommended and agreed by Capital Strategy Group (CSG).
- (b) Approve the inclusion of the LEP, Local Growth Fund, funded project Theale Rail Station Improvements into the previously approved 2021/22 Capital Programme.
- (c) The approved capital programme for 2021/22 is revised to include the confirmed funding allocations issued by the Department for Transport in April 2021.
- (d) That the Executive approves the allocation of £250,000 to the Waterside project funded by Community infrastructure Levy.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	The outturn position against the approved capital programme is an incurred underspend of £11 million. £9.9 million of

	<p>expenditure has been proposed by Capital Strategy Group to be re-profiled into financial year 2021/22 in support of the approved 2021/22 – 2023/24 Capital Strategy and complete delivery of ongoing projects.</p> <p>An additional allocation of £250k from CIL for the Waterside project to support the Council Strategy in 2021-22. This funding will have no financial impact on the Council’s overall budget, though does utilise £250k of CIL funding and so reduces the overall funding for CIL related schemes in future years</p>			
Human Resource:	Not applicable			
Legal:	Not applicable			
Risk Management:	<p>A key ongoing risk is the potential impact of engaged suppliers to default on contractual obligations through financial difficulties. Budget Managers and Capital Strategy Group are closely monitoring these risks to highlight projects with potential suppliers of concern and where there is an ongoing risk of default and/or the potential to retender agreed contracts at potentially higher cost.</p>			
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 In financial year 2020/21 expenditure of £37.2 million has been incurred against the approved capital programme of £48.3 million.

Directorate	Quarter One Forecast Expenditure	Quarter Two Forecast Expenditure	Quarter Three Forecast Expenditure	Budget at Outturn	Expenditure at Outturn	Expenditure Variance to Budget at Outturn (Under) / Overspend	Proposed Expenditure Re-profiling
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
People	£15,476	£14,681	£14,023	£15,778	£10,989	(£4,790)	£2,994
Place	£27,882	£24,459	£23,237	£25,395	£21,141	(£4,254)	£5,529
Resources	£7,556	£5,404	£5,625	£7,093	£5,006	(£2,088)	£1,418
Chief Executive	£	£	£	£	£87	£87	£
Total Council	£50,914	£44,544	£42,885	£48,267	£37,223	(£11,044)	£9,941

4.2 During the course of the financial year key projects that have been successfully delivered/commenced are:

- (a) Completion of Highwood Copse Primary School. Although not opened in September 2020 due to the pandemic, the build stage of the project is complete. Purchase of specialist school furniture is to be undertaken in financial year 2021/22 to prepare the school for a September 2021 opening.
- (b) A number of LEP Local Growth Fund, funded projects focused on improvements to Newbury Rail Station, accessibility at Sandford and Theale Rail Station are all ahead of schedule.
- (c) Phase One of the Solar Photovoltaics project has been completed with six sites having panels installed.

4.3 The main contributing factors to the underspend position at outturn are:

- (a) Education Services is forecasting a £3.8 million underspend driven primarily by a delay in the i-College (formally Eastern Area PRU) project (£512k) through delays in agreeing new lease terms with the Parish Council, and delays to the Speenhamland project through redesign and re procuring a contractor (£431k). £1.5 million of the underspend position relates to the Trinity Basic Need project which was delivered under budget.
- (b) Development and Planning are forecasting a £2 million underspend consisting of delays in delivering the Four Houses Corner redevelopment (£1.8 million), and underspends against the demand led Disabled Facilities Grant (£415k), offset by an overspend against the purchases of temporary accommodation budget (£285k).
- (c) Public Protection & Culture are forecast an underspend of £1.4 million, attributable to delays in undertaking maintenance across key sites including Shaw House, Museum and Libraries (£239k), and delays in commencing projects relating to leisure centre modernisations (£505k). A £600k budget provision for Phase Two of the Solar Photovoltaics was unutilised during the financial year.

4.4 As part of the outturn position it is proposed that £9.9 million of the £11 million underspend is re-profiled into financial year 2021/22, Appendix B provides a detailed breakdown of proposed re-profiling by project. Total re-profiling of expenditure from 2020/21 into financial years 2021/22 and beyond amounts to £17.2 million (£7.3 million re-profiled at Quarter Two and £9.9 million proposed at outturn). Service Heads and budget managers have confirmed that there is capacity in 2021/22 to deliver slipped projects in addition to the approved Capital Programme for 2021/22. CSG will closely monitor expenditure incurred against the re-profiled expenditure and approved programme in 2021/22.

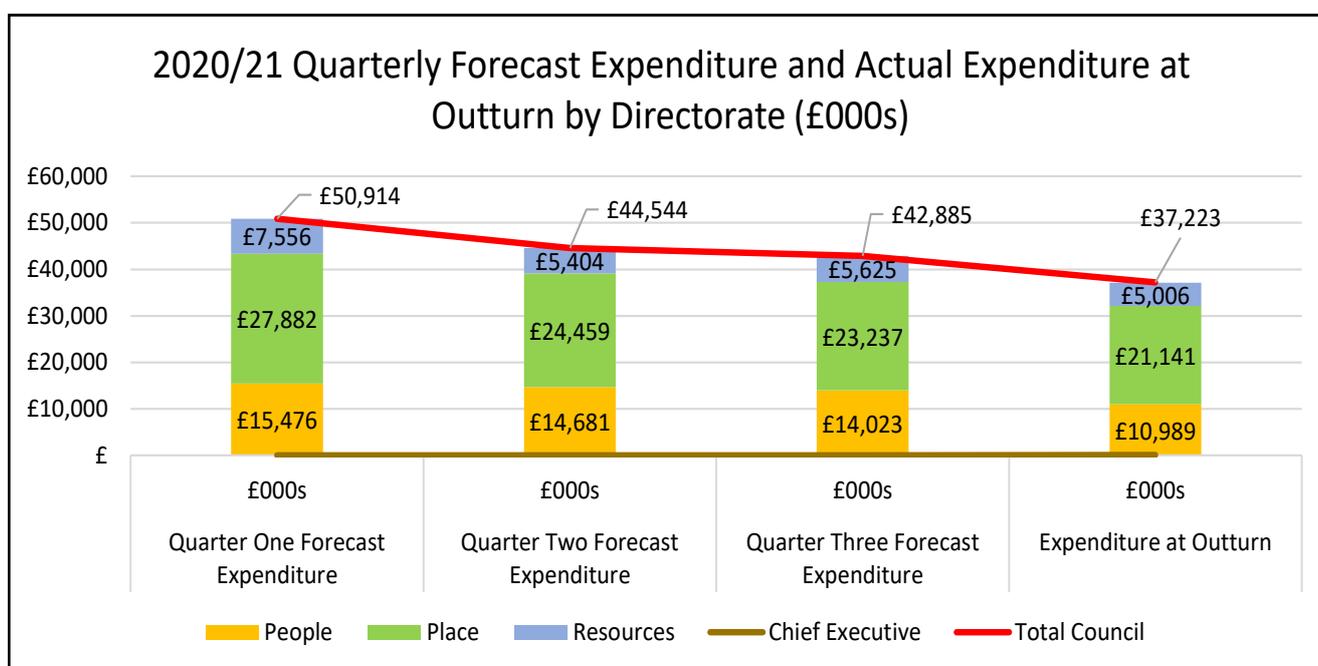
5 Supporting Information

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 the year end.

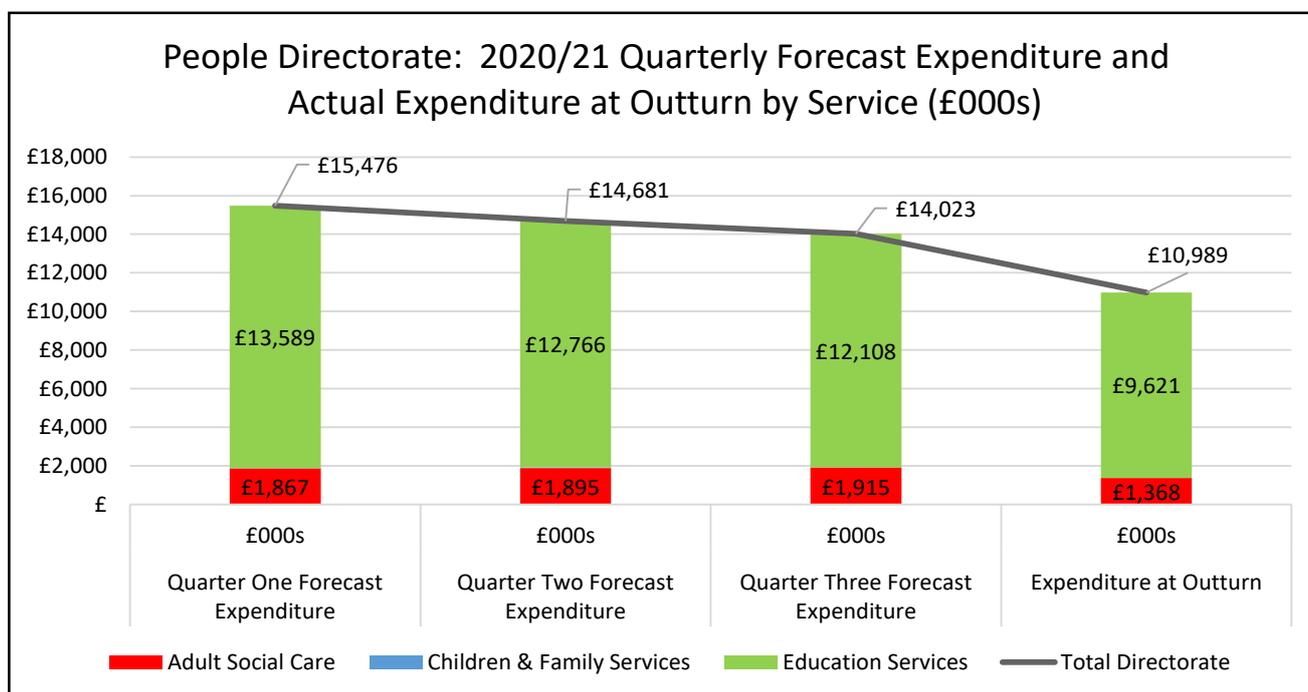
Background

- 5.3 Total expenditure incurred against the approved capital programme of £48.2 million for financial year 2020/21 amounts to £37.2 million. The graph below details the forecast expenditure position and actual outturn position by directorate during the financial year.



The People Directorate

5.4 During financial year 2020/21 the directorate incurred total expenditure of £11 million against a budget of £15.8 million. The chart below details forecast expenditure and actual expenditure by service during the financial year.



5.5 During the course of the financial year the directorate successfully delivered the following key projects:

- (a) Education Services: Completion of Highwood Copse Primary School. Although not opened in September 2020 due to the pandemic, the build stage of the project is complete. Purchase of specialist school furniture is to be undertaken in financial year 2021/22 to prepare the school for a September 2021 opening. The project budget in 2020/21 was £3.4 million, expenditure incurred in year was £2.7 million. The unspent allocation is proposed to be slipped into 2021/22 to enable purchase of school furniture.
- (b) Education Services: Trinity School (basic need) project was completed in year. The 2020/21 project budget was £3 million, expenditure incurred in year was £1.5 million.
- (c) Education Services: Planned maintenance, whilst the Covid pandemic has presented access problems for a number of Council sites impacting on ability to undertake planned maintenance, in respect of schools it has allowed a focused approach to schools where access has been achievable ensuring the budget of £2.2 million has been utilised during the financial year.

5.6 The table below summarises actual expenditure for the People Directorate against budget as at the year end.

Capital Financial Performance Report Outturn 2020/21

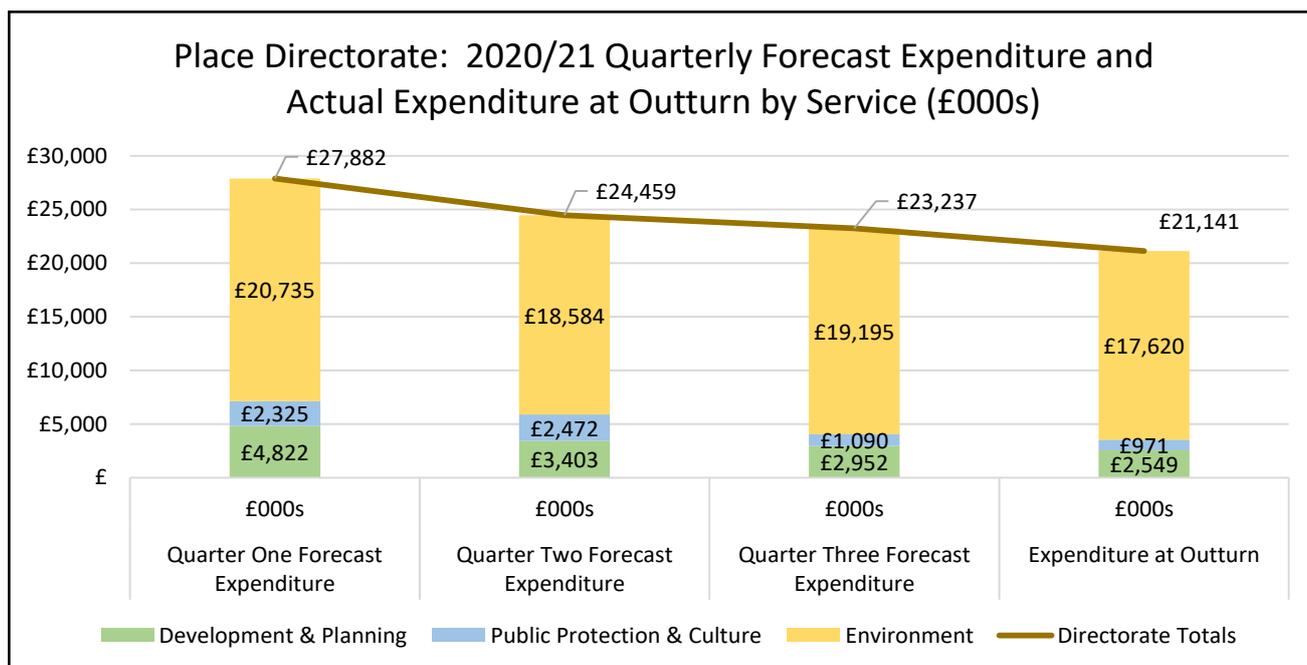
People Directorate	Quarter Two Forecast Expenditure	Quarter Three Forecast Expenditure	Budget at Outturn	Expenditure at Outturn	Expenditure Variance to Budget at Outturn (Under) / Overspend
	£000s	£000s	£000s	£000s	£000s
Adult Social Care	£1,895	£1,915	£2,273	£1,368	(£906)
Children & Family Services	£20	£	£20	£	(£20)
Education Services	£12,766	£12,108	£13,485	£9,621	(£3,864)
Total Directorate	£14,681	£14,023	£15,778	£10,989	(£4,790)

5.7 In respect of the incurred underspend at the year end, the main contributing factors have been:

- (a) Adult Social Care: Delays in the commencement and completion of planned maintenance works at residential care homes (£219k) as a result of the Covid pandemic preventing access to the buildings.
- (b) Adult Social Care: Re-profiling of milestone payments relating to the Care Director upgrade project (£195k).
- (c) Adult Social Care: Lower than anticipated demand against the Occupational Therapists equipment budget (£408k).
- (d) Education Services: Delays in the i-College (formally Eastern Area PRU) development (£512k) as lease negotiations with the Parish Council remain ongoing.
- (e) Education Services: Delays in the Speenhamland development (£431k) as a result of changes in the project scope and having to reprocur a design team and contractor.
- (f) Education Services: Delays in feasibility studies and commencement of works across a number of projects due to the current construction industry market environment.

The Place Directorate

5.8 During financial year 2020/21 the directorate incurred total expenditure of £21.1 million against a budget of £25.4 million. The chart below details forecast expenditure and actual expenditure by service during the financial year.



5.9 During the course of the financial year the directorate successfully delivered/commenced the following key projects:

- (a) Environment: The LEP Local Growth Fund, funded project to undertake improvements at Newbury Rail Station is ahead of schedule. Work commenced earlier than anticipated with expenditure incurred of £1 million. No budget provision was included within the 2020/21 programme, however the project was approved as part of the 2021/22 Capital Programme as work was not expected to commence until April 2021.
- (b) Environment: The LEP Local Growth Fund, funded project relating to access at Sandford is ahead of schedule. £1.4 million of expenditure was incurred against a budget of £700k. External funding has therefore been brought forward from future years to offset the in year overspend.
- (c) Environment: The LEP Local Growth Fund, funded project relating to improvements at Theale Rail Station for which approval was received in March 2021, commenced in year. £28k of expenditure was incurred, no budget provision was made in 2020/21 or in the 2021/22 approved Capital Programme due to the lateness of the schemes approval. A recommendation is made in this report to formalise the projects inclusion in the 2021/22 approved Capital Programme.
- (d) Environment: Phase One of the Solar Photovoltaics project has been completed with six sites having panels installed. £455k of expenditure was incurred against a £519k approved budget for 2020/21.

5.10 The table below summaries actual expenditure for the Place Directorate against budget as at the year end.

Capital Financial Performance Report Outturn 2020/21

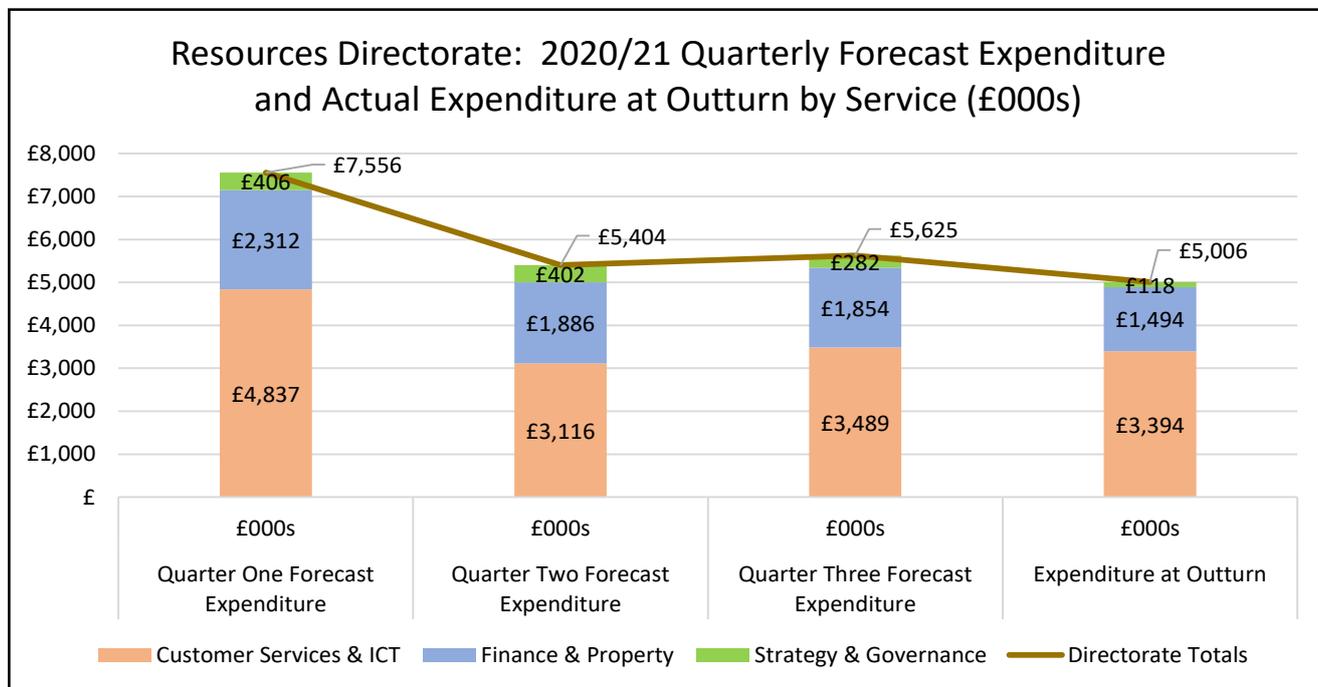
Place Directorate	Quarter Two Forecast Expenditure	Quarter Three Forecast Expenditure	Budget at Outturn	Expenditure at Outturn	Expenditure Variance to Budget at Outturn (Under) / Overspend
	£000s	£000s	£000s	£000s	£000s
Development & Planning	£3,403	£2,952	£4,640	£2,549	(£2,090)
Public Protection & Culture	£2,472	£1,090	£2,458	£971	(£1,486)
Environment	£18,584	£19,195	£18,298	£17,620	(£677)
Directorate Totals	£24,459	£23,237	£25,395	£21,141	(£4,254)

5.11 In respect of the incurred underspend at the year end, the main contributing factors have been:

- (a) Development and Planning: Delays in delivering the Four Houses Corner redevelopment project, £200k has been incurred against a £2 million project budget. Vacant possession was achieved on 12th February 2021. The project has been reset for completion on 31st March 2023. The Project Officer has been on site and has requested quotes for hoarding and site clearance. Hoarding work is due to commence in May 2021. Lower than expected demand against the Disabled Facilities Grant, £1.3 million of expenditure has been incurred against a £1.8 million budget. Underspends against Four Houses Corner and the Disabled Facilities Grant have been offset by an overspend against the temporary accommodation budget of approximately £300k.
- (b) Public Protection & Culture: Delays in undertaking maintenance across key sites including Shaw House, Museum and Libraries. Expenditure of £200k was incurred against a budget of £439k across the sites. In respect of Shaw House, there is a list of planned works to the mansion identified in the Condition Survey that experienced some delays in year due to procurement of specialist contractors.
- (c) Public Protection & Culture: Delays in commencing projects relating to leisure centre modernisations. Expenditure of £482k was incurred against a budget of £987k. The pandemic has slowed down the development of works and projects required under the current contract leisure centre contract due to availability of contractors.
- (d) Public Protection & Culture: Phase Two Solar Photovoltaics, no expenditure was incurred against an approved £600k budget provision. Phase One of the project was successfully completed in 2020/21. Phase two of the project has been included within the 2021/22 Capital Programme within the Environment Service.
- (e) Environment: The net position is mainly attributable to overspends against the LEP, Local Growth Fund projects commenced in year without budget provision (£1.7 million), offset through underspends against the main highways improvement programme (£949k), resurfacing of the A4 between Newbury and Reading (£1.2 million) and the Kings Road Link project (£147k).

The Resources Directorate

5.12 During financial year 2020/21 the directorate incurred total expenditure of £5 million against a budget of £7 million. The chart below details forecast expenditure and actual expenditure by service during the financial year.



5.13 During the course of the financial year the directorate successfully delivered/commenced the following key projects:

- (a) Customer Services & ICT were at the forefront of responding to the COVID pandemic with an organisational shift to a home working environment. Whilst the organisation successfully transitioned across to a home working environment this resulted in a number of delays to previously planned projects across the approved service program.
- (b) Finance & Property: The Council’s key financial system Agresso was upgraded from Milestone 4 to Business World Seven and successfully migrated to a cloud based platform. £117k of expenditure was incurred against a £180k approved budget provision.

5.14 The table below summaries actual expenditure for the Resources Directorate against budget as at the year end.

Capital Financial Performance Report Outturn 2020/21

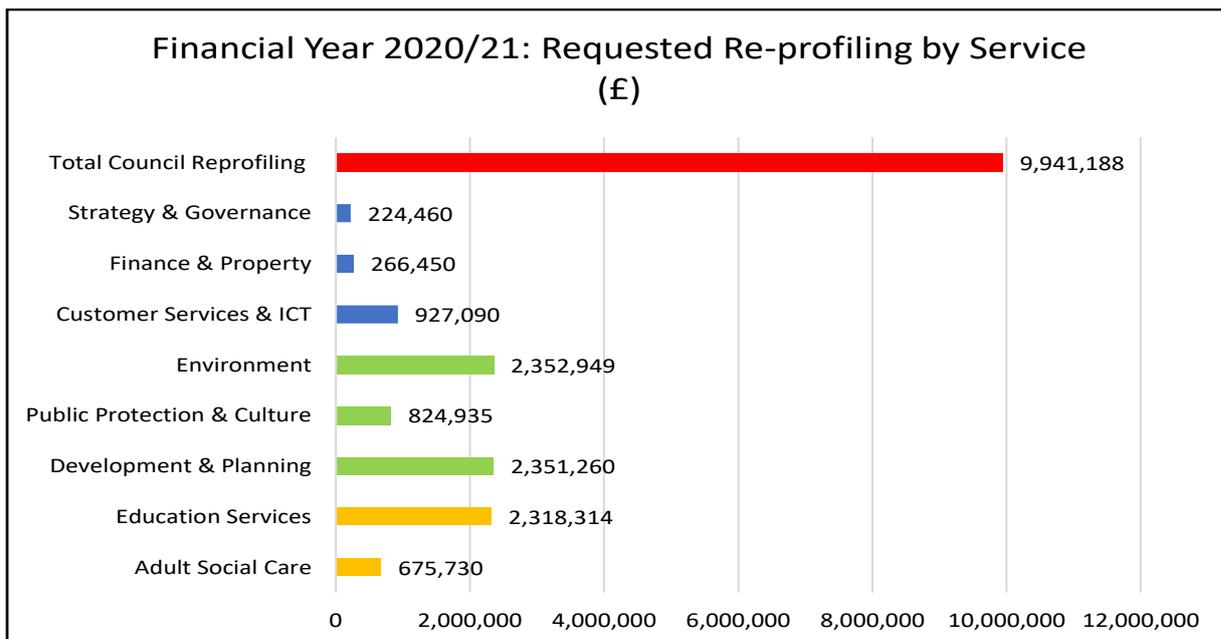
Resources Directorate	Quarter Two Forecast Expenditure	Quarter Three Forecast Expenditure	Budget at Outturn	Expenditure at Outturn	Expenditure Variance to Budget at Outturn (Under) / Overspend
	£000s	£000s	£000s	£000s	£000s
Customer Services & ICT	£3,116	£3,489	£4,183	£3,394	(£789)
Finance & Property	£1,886	£1,854	£2,507	£1,494	(£1,014)
Strategy & Governance	£402	£282	£402	£118	(£285)
Directorate Totals	£5,404	£5,625	£7,093	£5,006	(£2,088)

5.15 In respect of the incurred underspend at the year end, the main contributing factors have been:

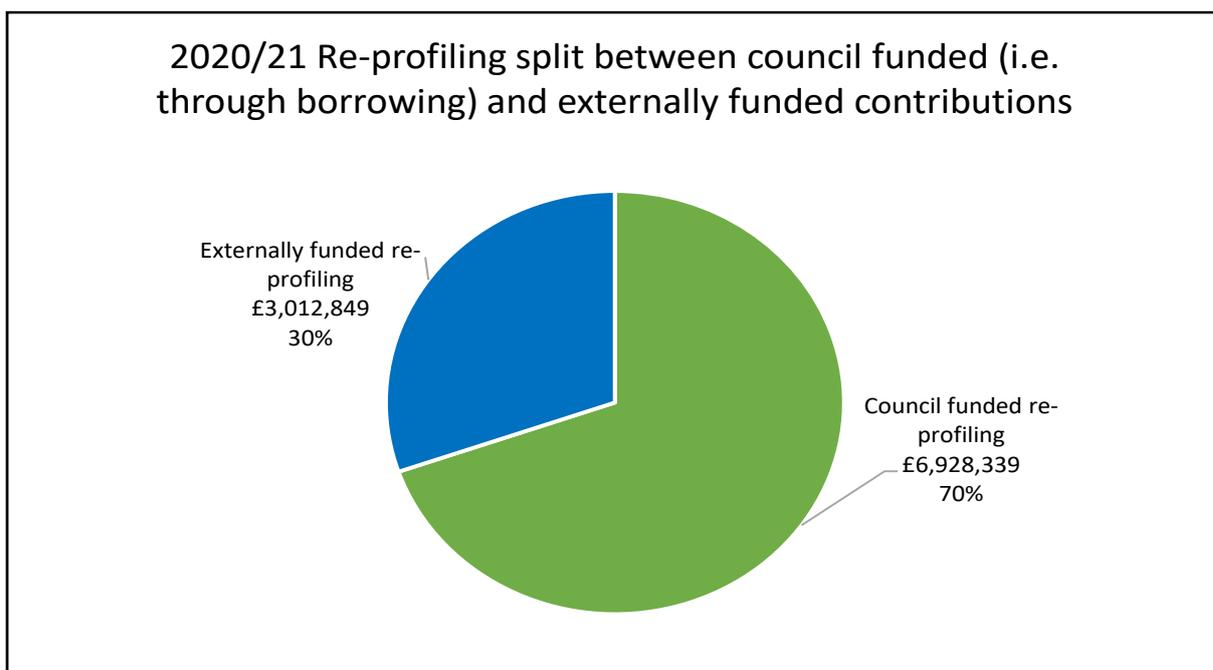
- (a) Customer Services & ICT: Delays in the delivery of the Superfast Broadband project. £2 million of expenditure has been incurred against a budget of £2.6 million. Underspends incurred against a range of projects due to capacity issues as a result of responding to the Covid pandemic, namely delays in the Disaster Recovery Project (£135k), and the Collaboration & Video conferencing pilot (£70k).
- (b) Finance & Property: Cancellation of the Grazeley Garden Settlement project £417k. Underspends of £403k against planned maintenance and condition survey budgets through a combination of Covid restrictions creating access delays and lower than expected demand on furniture replacement budgets.
- (c) Strategy & Governance: Low demand for schemes to be funded from the members' bids budget, expenditure of £28k was incurred against a budget provision of £197k.

Proposals

5.16 During the course of the financial year, where a service has identified expenditure will not be incurred, the expenditure has been re-profiled into future financial years. At Quarter Two £7.3 million of expenditure was re-profiled with the approval of Capital Strategy Group and included within the Capital Programme for financial years 2021/22 – 2023/24 approved by Council on 2nd March 2021. As part of the outturn process, a further £9.9 million of expenditure is proposed to be re-profiled into financial year 2021/22. The graph below details the cumulative level of re-profiling in financial year 2020/21 by service and the Council as a whole:



5.17 The majority of re-profiling is across the Environment, Development & Planning and Education Services budgets. The chart below provides a breakdown between internally council funded re-profiling and externally funded re-profiling.



5.18 Appendix B provides a detailed breakdown of the project expenditure proposed to be re-profiled into financial year 2021/22. The majority of expenditure proposed for re-profiling relates to projects already commenced or have been delayed due to access issues posed by the Covid pandemic.

5.19 Included within the re-profiling proposals is £1.7 million of LEP, Local Growth Fund, funded projects where either there was no approved project allocation or there was insufficient budget allocation in financial year 2020/21. In order to accommodate projects which are effectively ahead of schedule resulting in a budget shortfall:

- (a) £1.7 million of approved budget in financial year 2021/22 will be reduced to accommodate expenditure incurred in 2020/21. The projects (Newbury Rail Station Improvements and Sandford Access Improvements), are fully funded via external contributions. The re-profiling of expenditure budgets has not impact on the overall project budgets.
- (b) A £4.45 million budget for Theale Rail Station Improvements is included within the approved capital Programme for 2021/22. The budget funding will be split with £4 million funded externally by the LEP and £450k funded by the Council.

5.20 On 22nd April 2021 the Department for Transport (DfT) confirmed the capital funding allocation for financial year 2021/22. The approved capital programme for 2021/22 includes a budget provision of £4.4 million covering various schemes, for example land drainage works, footway improvements, carriage treatments and essential planned bridge maintenance. The DfT have confirmed a total allocation for 2021/22 of £6.3 million. It is proposed that the 2021/22 capital programme is increased by the additional funding allocation to cover increased carriage way treatments (patching and resurfacing), and improvements to footways and cycle routes.

6 Other options considered

No other options were considered.

7 Conclusion

7.1 In respect of the full programme, the total re-profiling of expenditure from 2020/21 into financial years 2021/22 and beyond amounts to £17.2 million (£7.3 million re-profiled at Quarter Two and £9.9 million proposed at outturn). Re-profiling in year equates to 41% of the original 2020/21 capital programme and 33% of the revised programme (original programme £42.5 million plus £10.2 million of re-profiling from financial year 2019/20). Budget managers have confirmed that there is capacity in 2021/22 to deliver slipped projects in addition to the approved capital programme for 2021/22. CSG will closely monitor expenditure incurred against the re-profiled expenditure and approved programme in 2021/22.

8 Appendices

Appendix A – Budget Changes as at Quarter Three

Appendix B – Re-profiling Proposal

Corporate Board's recommendation

*(add text)

Background Papers:

*(add text)

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

Wards affected: *(add text)

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Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

Budget Changes: Financial Year 2020/21

Service Area	Original Budget 2020/21 £000	Budget Agreed by CSG to be Re-profiled from 2019/20 £000	Agreed Reprofiling at Q2 £000	Agreed Reprofiling 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		

