

Capital Financial Performance Report Quarter One 2021/22

Committee considering report:	Executive
Date of Committee:	2 September 2021
Portfolio Member:	Councillor Ross Mackinnon
Date Portfolio Member agreed sent:	3.8.2021
Report Author:	Shannon Coleman-Slaughter
Forward Plan Ref:	EX4013

1 Purpose of the Report

The financial performance report provided to Members reports on the forecast under or over spends against the Council's approved capital budget. This report presents the forecast outturn position for financial year 2021/22 as at Quarter One.

2 Recommendation

2.1 The following recommendation is made to members:

- (a) Approve the proposed reprofiling of £4.3 million of future expenditure from 2021/22 into financial year 2022/23.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	At the end of Quarter One, expenditure of £56.5 million has been forecast against a revised budget of £60.2 million, an overall forecast underspend of £3.7 million.
Human Resource:	Not applicable
Legal:	Not applicable
Risk Management:	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.			
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 Quarter One, expenditure of £56.5 million is forecast to be incurred during the financial year against a revised capital programme budget of £60.2 million, generating a forecast underspend position of £3.7 million.

Directorate	Quarter One Budget	Quarter One Forecast Expenditure	Forecast (Under)/Over spend at Quarter One
	£000s	£000s	£000s
People	£17,831,450	£16,553,050	(£1,278,400)
Place	£32,235,890	£29,658,269	(£2,577,621)
Resources	£10,106,570	£10,258,501	£151,931
Chief Executive	£	£	£
Total Council	£60,173,910	£56,469,819	(£3,704,091)

4.2 In respect of the overall programme forecast underspend, the main contributing factors are:

- (a) Education Services: i-College project. The lease negotiations recently concluded with a new lease agreement being achieved. The anticipated project commencement date (for works) is now scheduled for December 2022. There is a risk that the project is likely to exceed current budget built into the approved 2021/22 – 2023/24 capital programme, the Service and Capital Strategy group will continue to monitor progress against the project and take mitigating action where required.
- (b) Development & Planning: Four Houses Corner is forecasting a pressure of £159K. The project has been set with a number of delays. The site is now cleared and work is scheduled to commence with a revised completion date of 31st March 2023. An in year pressure bid has been submitted to Capital Strategy Group, additional financing will be Council funded.

- (c) Environment: The natural carbon reduction methods project has been delayed and is forecasting a £1 million underspend and the A4 Improvements and Robinhood Roundabout project is forecasting a £1.3 million underspend as a result of delays through project redesigns.
 - (d) Customer Services & ICT: The Corporate Replacement budget is forecasting a £170k overspend. The forecast position is due to increasing demand on the budget and an increased focus on the implementation of hybrid meeting technology.
- 4.3 As part of the forecast outturn position it is proposed that £4.3 million of future expenditure is re-profiled into financial year 2022/23, Appendix B provides a detailed breakdown of proposed re-profiling by project. The proposed re-profiling will result in an overall pressure of £647k against the approved capital programme based on Quarter One budget monitoring. It is anticipated that during the financial year further project underspends will be incurred to offset the identified pressure. Furthermore the Council has capital reserves of £41 million (based on the Council's draft 2020/21 Financial Statements) which are under review to ascertain if funding can be released to offset any realised pressure.

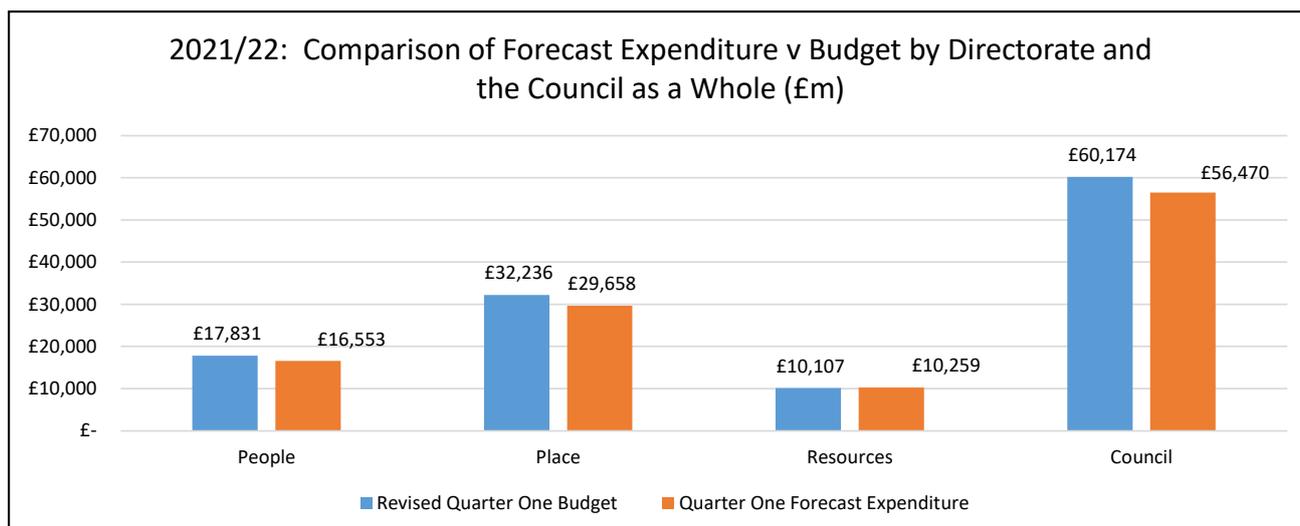
5 Supporting Information

Introduction

- 5.1 A capital budget for 2020/21 of £47.8 million was set by Council in March 2021 with external funding of £24.6 million from a combination of external grants, section 106 contributions (s106) and Community Infrastructure Levy (CIL). £23.2 million of expenditure was 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 forecast expenditure against the approved capital programme of £60.2 million for financial year 2020/21 amounts to £56.5 million. The graph below details the forecast expenditure outturn position by directorate and the Council as a whole.



The People Directorate

5.4 The directorate is forecasting total expenditure of £16.6 million against a budget of £17.8 million.

Directorate	Quarter One Budget	Quarter One Forecast Expenditure	Forecast (Under)/Over spend at Quarter One
	£000s	£000s	£000s
Adult Social Care	£2,445,690	£2,445,690	£
Childrens and Family Services	£20,000	£	(£20,000)
Education	£11,030,360	£9,771,960	(£1,258,400)
Communities and Wellbeing	£4,335,400	£4,335,400	(£)
Total Directorate	£17,831,450	£16,553,050	(£1,278,400)

5.5 The key contributing factor to the forecast directorate underspend is the i-College project (Education Services). The lease negotiations recently concluded with a new lease agreement being achieved. The anticipated project commencement date (for works) is now scheduled for December 2022. There is a risk that the project is likely to exceed current budget built into the approved 2021/22 – 2023/24 capital programme, the service and Capital Strategy group will continue to monitor progress against the project and take mitigating action where required.

5.6 Children & Family Services are forecasting a £20k underspend as a result of no adaptations to foster care residents having been requested. Adult Social Care and the Communities & Wellbeing Services are currently forecasting on line positions.

The Place Directorate

5.7 The directorate is forecasting total expenditure of £29.6million against a budget of £32.2 million.

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Directorate	Quarter One Budget	Quarter One Forecast Expenditure	Forecast (Under)/Over spend at Quarter One
	£000s	£000s	£000s
Development and Planning	£4,138,590	£4,297,550	£158,960
Public Protection	£75,820	£75,820	£
Environment	£28,021,480	£25,284,899	(£2,736,581)
Directorate Totals	£32,235,890	£29,658,269	(£2,577,621)

5.8 The main the contributing factors to the directorate forecast position are:

- Development & Planning: Four Houses Corner is forecasting a pressure of £159K. The project has been set with a number of delays. The site is now cleared and work is scheduled to commence with a revised completion date of 31st March 2023. An in year pressure bid has been submitted to Capital Strategy Group, additional financing will be Council funded.
- Public Protection: There is only one capital project which was slipped from financial year 2020/21 into the current financial year. The project is the implementation of the Public Protection One System which is scheduled to be delivered on line with project completion expected within 2021/22.
- Environment: The natural carbon reduction methods project has been delayed and is forecasting a £1 million underspend. The budget manager has confirmed that additional governance is to be placed around this project to ascertain if further expenditure potentially could be incurred in the current financial year.
- Environment: The A4 Improvements and Robinhood Roundabout project is forecasting a £1.3 million underspend as a result of delays through project redesigns.
- Environment: The Kings Road Link project is forecasting a £347k underspend due to third party delays resulting in the project being behind schedule.

The Resources Directorate

5.9 The directorate is forecasting total expenditure of £29.6million against a budget of £32.2 million.

Directorate	Quarter One Budget	Quarter One Forecast Expenditure	Forecast (Under)/Over spend at Quarter One
	£000s	£000s	£000s
Customer Services and ICT	£4,994,380	£5,164,380	£170,000
Finance and Property	£4,666,730	£4,648,660	(£18,070)
Strategy and Governance	£445,460	£445,460	(£)
Directorate Totals	£10,106,570	£10,258,501	£151,931

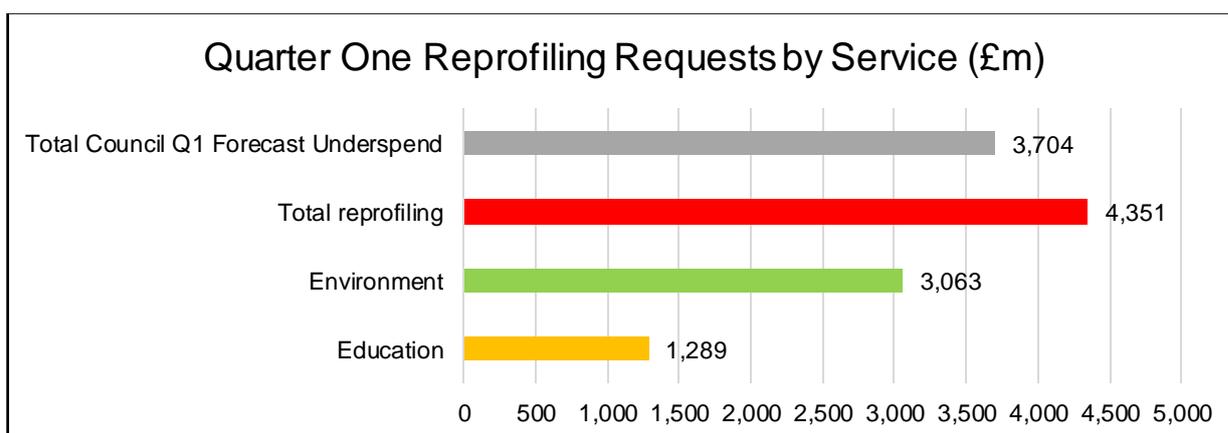
5.10 The main the contributing factors to the directorate forecast position are:

- (a) Customer Services & ICT: The Corporate Replacement budget is forecasting a £170k overspend. The forecast position is due to increasing demand on the budget and an increased focus on the implementation of hybrid meeting technology.
- (b) Finance & Property: The net underspend forecast is predominately the result of pressures against the demand led corporate condition survey budgets (£21k forecast overspend), a forecast underspend against the Agresso upgrade project (£75k) and a forecast overspend against the Income Manager implementation project (£40k). In respect of the Agresso and Income Manager implementation projects focus has moved from the Agresso upgrade (which has successfully resulted in a move from local servers to a cloud based platform), to the Income Manager implementation. Income Manager is designated a high risk project as the project focuses on migration of online payment functionality from the Civica Icon system into Agresso. Consultancy costs to facilitate the build of new interfaces and IT environments has been higher than anticipated leading to the forecast overspend.

Proposals

5.11 As part of the Quarter One budget monitoring review, expenditure has been identified as unlikely to be incurred in the current financial year and is requested to be reprofiled into subsequent financial years.

5.12 £4.3 million of proposed reprofiling has been identified across the Education and Environment capital programmes, Appendix B provides a breakdown of project expenditure identified for reprofiling. The level of reprofiling identified is greater than the underspend forecast against the Council’s capital programme. The graphic below shows the reprofiling requested, and total reprofiling against the current programme forecast position.



5.13 The funding of the proposed reprofiling is split between Council funding and external funding (i.e. external grants, s106 and Cil). £3 million of the reprofiling identified against the Environment Service and Education is externally funded. The balance of £1m in Environment is Council funded.

5.14 The proposed reprofiling will result in an overall pressure of £647k against the approved capital programme based on Quarter One budget monitoring. It is anticipated that during the financial year further project underspends will be incurred to offset the identified pressure. Furthermore the Council has capital reserves of £41 million (based on the Council's draft 2020/21 Financial Statements) which are under review to ascertain if funding can be released to offset any realised pressure.

6 Other options considered

No other options were considered.

7 Conclusion

7.1 In respect of the full programme at Quarter One there is a forecast underspend of £3.7 million. Total re-profiling of expenditure from 2021/22 into financial year 2022/23 amounts to £4.4 million. CSG will continue to closely monitor expenditure incurred against the re-profiled expenditure and approved programme in 2021/22.

8 Appendices

Appendix A – Budget Changes as at Quarter One

Appendix B – Re-profiling Proposal

Background Papers:

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 Committee 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:

Name: Shannon Coleman-Slaughter
Job Title: Chief Financial Accountant
Tel No: 01635 503225
E-mail: Shannon.colemanslaughter@westberks.gov.uk

Document Control

DocumentRef:		Date Created:	
Version:		Date Modified:	
Author:			
Owning Service			

Change History

Version	Date	Description	Change ID
1			
2			

Budget Changes: As at Quarter One Financial Year 2021/22

Service Area	Original Budget 2021/22	Budget Agreed by CSG to be Re-profiled from 2020/21	Other Changes to 2020/21 Budget	Revised Budget for 2020 /21	Explanation of Other Agreed Changes	Approved by CSG
PEOPLE DIRECTORATE						
Adult Social Care	1,128,960	592,730	0	1,721,690		
Childrens and Family Services	20,000	0	0	20,000		
Education	4,059,300	950,800	0	5,010,100		
Communities and Wellbeing	2,861,290	732,540	0	3,593,830		
Total for People Directorate	8,069,550	2,276,070	0	10,345,620		
PLACE DIRECTORATE						
Development and Planning	587,330	2,351,260	0	2,938,590		
Public Protection	0	75,820	0	75,820		
Environment	8,154,160	1,183,090	450,000	9,787,250	£450k increase to the budget in light of agreed external LEP funding for Theale Rail Station Improvements	CSG 30.4.2021
Total for Place Directorate	8,741,490	3,610,170	450,000	12,801,660		
RESOURCES DIRECTORATE						
Customer Services and ICT	2,227,290	378,130	0	2,605,420		
Finance and Property	3,900,270	266,460	0	4,166,730		
Strategy and Governance	217,000	224,460	0	441,460		
Total for Resources Directorate	6,344,560	869,050	0	7,213,610		
CHIEF EXECUTIVE						
Chief Executive	0	0	0	0		
Total Capital Budget	23,155,600	6,755,290	450,000	30,360,890		

