



Money Matters

The County Council's Capital Financial Position

2018/19 Quarter 1

www.lancashire.gov.uk

Lancashire

County
Council



1. Summary

The forecast outturn for 2018/19 based on the position at the end of quarter 1 is £111.382m against the proposed 2018/19 capital delivery programme of £114.817m, a variance of £3.435m or c3%. The variance is the product of a forecast £0.606m net underspend on projects expected to be completed in-year and an identified current risk of £2.828m of the delivery programme being slipped into future years, although plans are being developed to mitigate this risk.

The multi-year capital programme approved at full council on 8 February covering the period 2018/19 to 2020/21 totalled £226.117m with £161.392m identified for delivery in 2018/19. The 2018/19 delivery programme did not include any slippage arising from outturn variances in 2017/18 and there have also been a number of further adjustments to the size and profiling of the capital programme agreed at Cabinet.

Governance of the capital programme has also been strengthened under the auspices of the Capital Board where responsibility for oversight and challenge of cost estimates and capital budgets sits. A comprehensive review of the projects for 2018/19 including prior year slippage has been undertaken by project and programme managers, supported by finance and commissioning the results of which are detailed in Table 1, the primary purpose of the review was to propose a delivery programme for 2018/19 which will then form the agreed baseline for monitoring purposes. The review has focused on:

- Updating the delivery programme for 2018/19 informed by the delivery performance in 2017/18 and previous years.
- Reviewing the level of funding available for unallocated budgets and the requirement for these to be continued to be carried forward.
- Removal of budgets previously included in 2018/19 which have been carried forward from previous years where there is no expectation or plan of delivery in 2018/19.
- Of the new approved projects a realistic assessment of 2018/19 deliverability was made with delivery timeframes and budgets being moved to future years where appropriate.

This gives a proposed delivery programme for 2018/19 which has been risk-assessed as being deliverable and to which project and programme managers will be held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2018/19 to ensure slippage is reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track.
- Performance reports developed to enable the Capital Board to undertake this monitoring and challenge.

2. Quarter 1 Monitoring

Table 1 shows the original and proposed 2018/19 capital delivery programme by service blocks and the current forecast outturn position resulting from the monitoring review undertaken based on the position at the end of quarter 1.

A new block has been added for externally funded schemes (S106 and S278 developer payments). These have previously been included within the Transport or Highways block but as they are at the control of external parties can distort the performance figures reported for LCC schemes.

Table 1 - 2018/19 Delivery Programme and Forecast Outturn

Service Area	Original 2018/19 Delivery Programme agreed at Full Council 8 Feb 2018	Total forecast 2018/19 Delivery Programme £m	Total Forecast 2018/19 Expenditure £m	Variance £m
Schools (exc DFC)	32.612	22.827	21.194	-1.633
Schools DFC	5.156	2.767	2.767	-
Children and Young People	4.560	0.644	0.657	0.013
Highways	53.415	45.484	45.984	0.500
Transport	25.692	13.912	13.912	-
Externally Funded		0.600	0.600	-
Waste and Other	0.100	0.677	0.677	-
Adult Social Care	7.808	13.687	13.687	-
Corporate	28.139	10.499	8.184	-2.315
Vehicles	3.910	3.720	3.720	-
Totals	161.392	114.817	111.382	-3.435

The forecast £3.435m under-delivery on the proposed 2018/19 capital programme represents a c3% variance.

The main reasons for the variance can be summarised by the following:

- Net effect of some small forecast under and overspends on completed projects.
- Forecast over-delivery on the Structural Defects programme.
- Currently un-programmed amounts within the Property rationalisation programme.

A more detailed breakdown of the variances by programme are included in the more detailed narrative later in the report.

The current forecast outturn expenditure of £111.382m includes £45.984m of expenditure on Highway schemes including structural maintenance, road safety, street lighting and the

surface dressing programme to maintain and improve the county's highways and footway infrastructure. A further £13.912m is forecast to be spent on transport schemes which involve new or improved road, cycling or footway schemes.

£23.961m is forecast to be spent on projects to improve the condition of or expand the capacity in the authority's school buildings. Adults social care expenditure of £13.687m primarily covers the passported disabled facilities grant (DFG) which is distributed to districts in quarter 1 and used to fund adaptations and alterations to allow people to remain in their own homes.

The remaining expenditure covers a range of projects including work on maintaining and improving the county's building and vehicle assets.

Table 2: 2018/19 Forecast variance analysis.

Service Area	Forecast 2018/19 Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery
	£m	£m	£m	£m
Schools (inc DFC)	-1.633	-1.127	0.008	-0.513
Children and Young People	0.013	-0.001	0.014	-
Highways	0.500	-	0.500	-
Corporate	-2.315	-	-	-2.315
Totals	-3.435	-1.128	0.522	-2.828

This breaks down the variances forecast between differences in spend on projects and differences in timing of delivery of projects. No variance is currently forecast against schemes slipped for delivery from 2017/18.

From the above we are forecasting a net underspend of £0.606m (£1.128m underspend and £0.522m overspend on completed projects delivered this year with a further £2.828m currently forecast at risk of being slipped for later delivery.

3. Quarter 1 Monitoring Narrative

Each block is analysed below showing key items of note this year, details of the spend on prior year slipped schemes and key items to note of the budgets reprofiled out of 2018-19 to future years delivery plans.

Children and Young People

The Children and Young People capital programme budget for 2018/19 is £0.644m. Outturn spend against this budget is forecast at £0.657m, a variance of £0.013m. This variance is net overspends on residential redesign projects delivered in year.

The current programme of work is aligned with the Children Looked After Residential strategy and concerns the refurbishment of several existing homes, including the necessary conversion work to establish a 2 bed crisis unit in Morecambe, an Adolescent Support Unit in Lancaster and a complex placement home in Preston.

Additionally, £0.254m of budget slipped from prior years is forecast to be spent in 2018/19 and on budget, mainly concerned with the Tower Wood replacement jetties project. It is now planned to be completed on site mid-July 2018, work on site having previously been delayed from 2017/18 in accordance with instruction from the Environment Agency.

Schools

The Schools block capital programme budget for 2018/19 is £25.594m. Outturn spend against this budget is forecast at £23.961m, a variance of -£1.633m. This variance can be summarised as follows:

- £1.127m of forecast underspends.
- £0.008m of forecast overspends.
- £0.513m of forecast slipped delivery.

In addition to the £17.394m forecast, a further £6.566m is also forecast to be spent in relation to projects slipped from previous years. £2.767m refers to the DFC programme, £1.450m to the Basic Need programme and £1.348m to Condition projects.

Basic Need

The Basic Need programme delivers works to increase capacity in school place provision across the county.

A number of basic need projects were operationally closed during the first quarter of the year that achieved a combined underspend of £0.021m. A number of projects are currently in the final stages and are due to financially close later in the year and are currently forecast to achieve savings of £0.816m on budget, subject to final account figures being agreed as forecast. Most of this saving is attributed to the Chorley Holy Cross expansion which was completed on site last year. The project is currently forecast to underspend by £0.607m. Savings of £0.209m are forecast on a number of other basic need projects and small overspends are forecast on others of £0.008m.

Slipped delivery of 2018/19 budget is forecast to be £0.513m. This relates to £0.143m forecast saving due on the Langho and Billington St Leonards project and the annual contribution to schools planning team of £0.370m which can now be met from savings from previous years.

Condition Programme

The condition programme delivers works to improve the condition of existing schools, with the majority of the works being undertaken during the school holidays to minimise disruption to the education provision.

An underspend of £0.081m is forecast across a number of projects that have operationally closed/closing and are pending financial closure in-year.

The new programme of works starting 2018/19 is currently forecast for delivery at budget.

Budget Re-profiling

A re-profiling exercise was undertaken during Quarter 1 to address changes that have arisen in the estimated delivery timeframe of a number of projects since their original commission. This includes:

- Re-profiling the School Playing Fields programme to future years.
- Re-profiling the current year DFC budget to future years, as in year spend will be on previous year slipped budgets.
- Re-profiling part of the current year budget of 4 Basic need projects for delivery expected to now be in 2019/20. The projects are Euxton Balshaw Lane, Langho St Mary's Primary, Barrow Primary and Ribblesdale High. As previously reported, the delivery of these projects have been affected by delays, including construction delays due to poor weather, or by various problems encountered on site that have necessitated additional design work or value engineering exercises.
- The remaining value of the as yet unallocated basic need allocation from 2017/18 has been re-profiled to future years to meet the estimated timeframe of when the next programme of work to be commission will begin to incur delivery costs.

The current year budgeted programmes of work include the delivery of Basic Need projects in the Ribble Valley that were commissioned in 2017/18. Most of these are projects are due to commence on site this year.

Additionally, the second phase of the 2017/18 starts Condition programme is programmed to be delivered and expected to be completed over the summer. Furthermore, the new 2018/19 starts condition programme will also commence and features many boiler/heating replacement and rewiring projects.

Highways

The Highways block capital programme budget for 2018/19 is £45.484m. Outturn spend against this budget is forecast at £45.984m, a variance of £0.500m. This variance is forecast in the demand led structural defects programme as a response to the deterioration of some of the county's roads over the winter months.

All other programmes in the block are forecasting to deliver on budget following the re-profiling exercise. Details of the main items of which are below:-

2018/19 Footways - Cross Street will not be delivered in 2018/19. £1.400m of the 2017/18 programme slipped and therefore as a precautionary measure the programme manager has agreed a total of £0.250m be moved to 2019/20.

2018/19 Bridges - Due to operational issues several projects will not be completed within the 2018/19 financial year and therefore £1.108m of the original 2018/19 budget has been moved to 2019/20.

2018/19 Roads - The £4.393m Pothole Action Fund monies is still being programmed into schemes to be delivered that will stop the deterioration of our roads and prevent structural defects occurring. The patching schemes will be delivered in 2018/19 but the inlay schemes will now only be delivered in 2019/20. The value of these schemes is £2.909m therefore the budget for this this has been moved to 2019/20.

2018/19 DFT Incentive Fund - Two of the DFT incentive fund schemes will be delivered in 2019/20 causing £0.315m of the original 2018/19 budget to now be moved to 2019/20.

2018/19 Surface Dressing - It is anticipated that approximately £0.264m of the Surface Dressing Programme will now only be deliverable in 2019/20.

Waste and Other

The Waste and Other capital programme budget for 2018/19 is £0.677m forecasting to fully deliver in year.

Capital Contribution to Lancashire Environment Fund – The money is passported to the Environment fund and are forecasted to spend the full allocation in 2018/19

Bamber Bridge, Cuerden Depot, Relocation of Metrology Service - Additional funding of £0.150m was added to the project in 2018/19 due to the demolition of portacabins on site and the relocation of the gas main. The project is currently spending to budget and is due to complete on time.

Adult Social Care

The Adult and Community Services capital programme budget for 2018/19 is £13.687m including the £13.652m Disabled Facilities Grant which is an amount passported to districts in full in Qtr. 1 each year.

There is currently one active project from prior year budgets on Preston Chapel Yard. There is a forecast spend of £0.035m for this prior year scheme in 2018/19.

Corporate

The Corporate capital programme budget for 2018/19 at Q1 is £10.499m. Outturn spend against this budget is forecast at £8.184m, a variance of £2.315m. This variance can be summarised as follows:

Slipped delivery of £2.315m on Property projects budgets. A decision has been made to profile £2.870m of unallocated monies in the Property Rationalisation programme into future years, however £2.000m has been left in 2018-19 as there will be emerging projects through the year that may require this money, although at this time it remains unallocated leaving a

risk of slipped delivery. Other smaller projects within the Property programme have a risk of slippage of £0.315m given current spend profiles and retentions however the projects are still scheduled to complete this year.

Transport

The Transport capital programme budget for 2018/19 is £13.912m.

For quarter 1 monitoring, the forecast outturn for Transport is at budget. A summary of the programmes within the Transport block are below:

National Productivity Investment Fund (NPIF) - The NPIF programme has been fully allocated for 2018/19 with £0.414m budget added for 2018/19 coming from repurposed allocation. Four projects have been approved and are currently at design stage. These are A583 Riversway Corridor, M65 Junction 13 Eastern roundabout, Vivary Way North valley Rd and M6 Jct 31, Swallow Hotel. No spend has currently been recorded in the 1st quarter but these schemes are forecast to spend to budget in year.

City Deal – There is a budgeted £6.000m contribution to City Deal in the 2018/19 budget.

Lancaster City Centre Congestion relief - Lancaster Master Plan currently comprises of two schemes; Lancaster District Rapid Transit (LDRT) and Lancaster Caton Road Park and Ride. Both schemes are forecast to complete in year and be on budget. LDRP spend is all against prior year budgets, whereas Lancaster Caton Road has £0.136m of 2018/19 budget along with slipped prior year budgets

Skelmersdale Rail Link - Skelmersdale rail link consists of 4 schemes, one of which has been completed. The Skelmersdale rail link Programme is anticipated to fully spend the 2018/19 budget of £1.385m. Additionally, spend of prior years' slipped budget of £3.992m is also forecast to be fully spent as the programme is expected to recover the delays incurred last year due to the time required to agree the design services contract with Network Rail being longer than previously estimated

Heysham - An additional £2.790m has been added to the Heysham project using part of the DFT allocation. The project is currently in the final stages with the majority of works being Health and Safety along with A6 Beaumont Roundabout and land compensation payments which are due to continue for several years.

Cycling Safety - Cycling safety has an allocation of £0.500m each year, spend in 2018/19 is forecast on prior year schemes. The capacity for design and delivery of the schemes originally programmed for 2018/19 has been reviewed and the full programme is now forecast for design in 2019/20 and delivery in 2020/21

Road Safety- Road Safety similarly has a delivery budget allocation of £0.500m per annum. However the deliver in 2018/19 will focus on the schemes slipped from 2017/18. Consequently, the 2018/19 allocation has been re-profiled into 2019/20 for design and 2020/21 for delivery.

PROW - Public Rights Of Way has a delivery budget of £0.250m from the Transport DFT allocation, of which £0.116m has been reprofiled into future years to allow for catch up on previous years projects

Vehicles

The Vehicles capital programme budget for 2018/19 is £3.720m and the forecast is on budget.

Significant purchases include approximately £0.800m on replacement vehicles for the recently transferred in Waste Service, £0.800m on Travel Care Vehicles and £0.656m on 7 Salt Spreading Vehicles. These are to be funded from the original 2018/19 budget as well as slipped budget from prior years

3. Funding

The current funding position for the capital programme for 2018/19 and future years is shown in table 3 below. This shows the current position based on forecast spend in 2018/19 and for future years for all projects already approved in 2019/20 and 2020/21 as well as those now reprofiled from 2018-19. There will be further programmes added in to 2019/20 as we receive grant notifications and work up the programmes that this will be utilised on.

Table 3 - Funding position 2018/19 to 2020/21

3 Year Capital Programme

Anticipated Spend	2018/19	2019/20	2020/21
Schools(exc DFC)	21.194	17.741	18.378
Schools DFC	2.767	2.500	2.500
Children and Young People	0.657	0.789	4.651
Highways	45.984	13.854	6.181
Transport	13.912	19.638	0.840
Externally funded	0.600		
Waste and Other	0.677	0.100	
Adults Social Care	13.687	7.808	6.061
Corporate	8.184	27.403	20.438
Vehicle	3.720		
Totals	111.382	89.833	59.050

Financed by

Borrowing	34.532	59.193	35.445
Grants	72.191	23.963	23.604
Developer contributions	2.673	2.097	0.000
3 rd Party Contributions	1.987	4.580	0.000
Total funding	111.382	89.833	59.050