



Money Matters
The County Council's Financial Position
2017/18 Quarter 1 Capital Monitoring

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1. Introduction

The 2017/18 Capital Programme budget approved by the County Council in February 2017 totalled £126.184m relating to LCC (non-LEP) activity.

In subsequent months changes have been made to the programme as detailed in Table 1. This has resulted in additions to the programme to the value of £38.948m and £6.299m re-profiled to later years. The changes that have been made are all as a result of Cabinet decisions and include all decisions up to and including the July Cabinet.

A full review of the existing capital programme is currently underway identifying unallocated budgets, and it is important to note that this report has been produced using the new Programme and Project Management System (PPMS) system for the first time, and is a snap shot in time looking back at the first 3 months of this financial year. Project managers will be constantly managing delivery of their projects and updating PPMS on a regular basis so it is expected that the position will change between monitoring reports.

Table 1: Capital Programme (following July Cabinet)

Service Area	Delivery Programme Agreed at Full Council February 2017 (A) £m	Changes since February 2017 up to July Cabinet		2017/18 New Programme of Delivery (A+B+C) £m
		Cabinet Decisions (B) £m	Reprofiling to future years following Cabinet Decisions (C) £m	
Schools (incl. DFC)	32.320	5.531	-0.413	37.438
Highways Maintenance	45.977	10.042	-1.026	54.993
Transport Improvement Scheme	26.582	3.450	-0.636	29.396
Adult Social Care	0.562	14.431	-0.562	14.431
Children and Young People's Service	3.014	1.585	0.326	4.925
Waste and Other Projects	2.023	0.350	-1.552	0.821
Corporate Programmes	12.276	3.209	-1.436	14.049
Vehicle replacement programme	3.430	0.350	-1.000	2.780
Total Programme	126.184	38.948	-6.299	158.933

2. Quarter 1 - Forecast Outturn 2017/18

Table 2 presents the Quarter 1 forecast position for 2017/18 programme showing the projected 2017/18 outturn position, the variance against budget in value and percentage in addition to the expenditure to date as at the end of June 2017 (this is also shown as a value and percentage of budget to assess progress against the years programme).

At the end of June 2017 the 2017/18 programme of delivery is expected to spend £1.221m less than the agreed profile. This variance is a combination of 3 types of variance as set out below, and further details can be seen in Section 3 of this report:

- projects forecasting to overspend
- projects forecasting to underspend
- as many projects are over a number of years, projects can spend less or more in year than their anticipated spend profile

Where unallocated budgets are identified this does not necessarily indicate that the funds will not be spent in year; rather they have not yet been programmed as a specific project. It is normal for areas to have an element of unallocated/unprogrammed funds early in a financial year.

It should be noted that this is a Quarter 1 forecast and further information and increased clarity will be forthcoming in Quarter 2. Individual risks are identified within Section 3 of this report.

Table 2: Quarter 1 Full Year Forecast

Service Area	2017/18 Programme of Delivery	2017/18 Full Year Forecast Outturn	Variance	% Variance	Quarter 1 Actuals	
	£m	£m	£m		2017/18 spend at June 2017	% of budget spent at June 2017
Schools (excluding Devolved Formula Capital DFC)	34.805	32.243	-2.562	-7.36%	3.132	9.00%
Schools DFC	2.633	2.633	0.000	0.00%	0.000	0.00%
Children and Young People's Service	4.925	7.858	2.933	59.55%	1.120	22.74%
Waste and Other Projects	0.821	0.752	-0.069	-8.40%	0.593	72.23%
Adult Social Care	14.431	13.500	-0.931	-6.45%	12.565	87.07%
Corporate Programmes	14.049	13.790	-0.259	-1.84%	2.826	20.12%
Vehicle Replacement Programme	2.780	3.050	0.270	9.71%	0.478	17.19%
Transport improvement Scheme	29.396	28.793	-0.603	-2.05%	2.248	7.65%
Highways Maintenance	54.993	54.993	0.000	0.00%	16.216	29.49%
Totals	158.833	157.612	-1.221	-0.77%	39.178	24.67%

Table 2 reports that actual spend to date accounts for c25% of the total programme delivery expected in 2017/18, which gives assurance that the expected programme of delivery is on target. The Quarter 2 monitoring report will be produced on a multi-year basis with updated forecasts. This will provide a clearer view of the entire programme.

3. Detailed Variance Analysis

3.1 Schools

Spend less than budget of £2.562m is forecast against the current 2017/18 re-profiled capital programme. This can be summarised as follows:

- £0.120m of overspends on 2017/18 budgets indicated by Project Manager forecasts on PPMS. Thirty three projects are forecasting small overspends of less than £0.001m. The largest single forecast overspend is on the Ribbleton

Avenue re-felting project which is forecast to overspend by £0.020m due to the tender coming in higher than anticipated.

- There is a total of £1.009m of underspends on 2017/18 budgets forecast by project managers on PPMS across 12 projects.

The total forecast underspend is largely due to the forecast insurance monies to be received relating to the Leyland St Mary's fire estimated at £0.600m, not profiled in 2017/18.

Other notable variances include the Leyland Northbrook project originally forecast to be on site has been cancelled due to tender issues, resulting in an underspend £0.204m against the 2017/18 budget. This has been re-tendered in 2017/18 and the funding will be reallocated to the new project. The St George's Basic Need project is estimate to come in under budget by approximately £0.080m.

- Spend less than budget of £3.479m is forecast due to delivery ahead of the profiled delivery programme during 2016/17 across 25 projects. This early delivery resulted in expenditure ahead of schedule in 2016/17 and consequently lower expenditure in later years. Notably, this relates to £1.7m expenditure in 2016/17 for Weeton Primary. In addition, Chorley Trinity, Chorley St George and Balshaw Lane have in total spent £0.8m more than programmed within 2016/17.
- £2.734m of slippage from 2016/17 is anticipated; this is associated with the difficulty in estimating the phasing of expenditure at the outset of projects.

The delivery programme was originally profiled in 2016/17 for around 90 projects where delivery has either genuinely slipped into 2017/18 due to delays or final valuation payments and fees have been incurred into 2017/18 on projects in the very final stages of completion. Many of these variances are less than £0.100m and around 60% concern projects in the final stages.

Notable slippage variances are incurred on a small number of projects:

- West End School demolition works which slipped by £0.292m in 2016/17 due to ecology and asbestos survey issue but the works are now going ahead of Summer 2017.
- Morecambe Lancaster Road was officially handed over in September 2016 but has approximately £0.167m of final fees and retention payments which will be incurred in 2017.
- Of the £0.500m emergency dry rot projects agreed in 2016/17, £0.238m was spent in year, with the remaining £0.262m to be incurred in 2017/18 together with the further funding recently approved.
- The Preston Larches project delivery incurred £0.177m of slippage against the 2016/17 budget due to delays in agreeing a deliverable project within budget and also issues affecting delivery on site.

- £0.926m of un-programmed budget profiled to be spent in 2017-18 is uncommitted at this time and therefore reported as not being spent in year at Quarter 1. This refers to risk/contingency monies budgeted as part of the £15.9m 2017/18 condition starts programme per a report to Cabinet on 5th April 2017. As these projects are not yet on site, it is considered unlikely that any contingency spend will be incurred in year.

Other notes/comments -.

- £19m of new Basic Need and Schools Condition projects (105 projects) to start in 2017 were approved in late 2016/17 and added to the 2017/18 budget. These projects account for 51% of the 2017/18 budget. There is little spend against these schemes to date while design work progresses and tenders are agreed. These projects will be delivered into 2018/19. The current budget requires re-profiling in accordance with projected delivery time frames once tenders have been agreed. As such, no forecast variance from the profiled budget has been included until a delivery timeframe to monitor against is agreed and approved as appropriate. These projects are forecast as fully spent but flagged as a significant slippage risk until they are re-profiled, this position will be updated in Quarter 2 monitoring.
- The largest project under the school capital programme is the Euxton Balshaw Lane Basic Need project, which has a total budget of £3.900m, of which £3.500m is profiled to be spent in 2017/18. Of this, £0.130m was delivered ahead of this profiling during 2016/17. The project is anticipated to be completed within time and budget.
- A remaining amount of £0.685m of contingency budget relating to the 2015/16 start condition programme is profiled in 2017/18. It has not been allocated to projects at this time but forecast as fully committed until the programme is completed.

Although only 9% of the programme has currently been spent, the above forecast is considered robust as the majority of the expenditure takes place during school summer holidays.

3.2 Children and Young People

A forecast spend greater than budget of £2.933m is forecast on the current 2017/18 profiled delivery programme. This is explained as follows:

- £4.250m forecast expenditure ahead of the 2017/18 profile relating to the contribution to City Deal budget re Preston Youth Zone. This profile will result in a lower spend in later years.
- £1.181m of expenditure slipped from 2016/17 into 2017/18. £1.100m of this is expenditure relating to the contribution to Chorley Borough Council for the Chorley Youth Zone. This was originally profiled to be passported in 2016/17 but has slipped into 2017/18 due to delays in agreeing the legal contracts.

£0.080m relates to final payments on smaller projects that will be expended in 2017/18.

- £2.499m slippage from 2017/18 budget into future years. Part of this relates to an unallocated budget in the Residential Redesign programme, some of which was profiled to be spent in 2017/18 on two proposed disabilities overnight short breaks units. £2.200m of this unallocated budget now remains after a change was made in 2014/15 to re-allocate £2.100m to the Preston Bus Station budget. It has not yet been agreed which of the proposed overnight short break units will go ahead as construction of both is not viable within the remaining budget. As such, no expenditure is forecast until revised plans are presented to a future Cabinet. In addition, the Tower Wood replacement jetties project is forecast at slipping by £0.222m as the identified contractor no longer wishes to undertake the work and the planning permission has expired, a replacement contractor and renewal of the planning permission is being sought. There is a further £0.035m of slippage forecast on a small number of other projects.

3.3 Vehicles

Spend greater than budget of £0.270m is forecast on the current 2017/18 profiled budget. This is explained as follows:

This variance relates to forecast expenditure of £2.870m on vehicle replacement against a budget of £2.300m. In addition, £0.180m is forecast to be spent in 2017/18 on Mobile Libraries with the remainder in 2018/19 (total £0.480m). Expenditure is fully committed in this area.

3.4 Highways

A net nil position is forecast on the current 2017/18 profiled programme of delivery, that is, full programme delivery is expected at this point. This is explained as follows:

The Quarter 1 forecast is for expenditure to be on budget as more detailed work on the individual schemes is needed in terms of delivery milestones and financial impacts once schemes requirements are firmed up. Quarter 2 monitoring will contain more detailed analysis of the block position however Quarter 1 monitoring has highlighted the following:

Within the 2017/18 actual spend to date of £16.216m, £11.780m relates to projects where the budget was in earlier years. These projects are part of the 2017/18 programme of delivery.

In addition to earlier year schemes there are also 232 schemes which have a combined 2017/18 budget of £12.600m but where there is no spend in Quarter 1 on the schemes to date. The delivery status on these will be outlined in the Quarter 2 monitoring report, for the purposes of this report it has been assumed that delivery will be as per the approved programme given that many of these schemes will not have been programmed to start in Quarter 1.

There is £8.000m of unallocated budgets within Highways which relate to 2017/18 or prior years, this does not include the additional £5.000m added at the July Cabinet for which schemes have been allocated and are currently being added to PPMS. As mentioned at the beginning of this report much of the currently unallocated funds will be programmed throughout the year, with the Quarter 2 report providing more details.

3.5 Corporate

A net spend less than budget of £0.259m is forecast on the current 2017/18 profiled delivery programme. This is explained as follows:

- County Hall Refurbishment – A forecast variance in 2017/18 of £0.800m (£0.500m is slippage from 2016/17, £0.100m is in advance of the 2018/19 budget and the balance £0.2m is a forecast project overspend) Available to spend within PPMS is £0.322m and additional contractor payment of c£0.365m are expected along with other fees and costs which are likely to lead to a project cost overrun.
- Property Rationalisation Programme - Revised Budget £2.627m only £0.003 spend to date. Forecast assumes £0.159m slippage in 2017/18.
- Within Economic Development there is slippage on Brierfield Mill of £0.700m (slipped from 2016/17) and £1.200m of unallocated budget which is forecast as not being spent in 2017/18.
- Green Energy – Renewable Energy Schemes County Buildings are forecast underspend in 2017/18 of £0.700m. Only two schemes have been started with estimated expenditure of £0.251m in 2017/18 and in addition £2.7m is unallocated.
- Core Systems – slippage of £0.300m from 2016/17.

Other notes/comments:

- Superfast Extension Project – Budget of £1.930m with no spend to date. The forecast assumes all budget will be spent in 2017/18 but not including the amount that slipped from 2016/17 as there is a risk that it might not catch up.
- Property Rationalisation Programme Dilapidations - Revised Budget £0.500m only £0.053m spend to date. The forecast assumes the budget will be spent.
- Unallocated Budgets totalling £8.7m as detailed below:-
 - Economic Development £3.269m – reserved for future priorities, including £1.200m from 2017/18.
 - Property Rationalisation Dilapidations on terminated or surrendered leases - £1.475m.
 - Property Rationalisation Neighbourhood centres - Feasibility Studies/Signs - £0.189m.
 - Green Energy Fund support for Lancashire Businesses – £1.000m

- Green Energy Fund Renewable Energy Schemes – County Buildings - £2.7m.
- Structural maintenance unallocated - £0.067m.

3.6 Transport

Spend less than budget of £0.603m is forecast on the current 2017/18 profiled budget. This is explained as follows:

The variance to profiled budget relates to slippage from earlier years on existing cycle safety and road safety schemes. New cycle safety and road safety schemes will be profiled in October 2017.

The rest of the programme is forecast to be on programme delivery.

Other notes/comments:

- 2017/18 Bus Stop Compliance - £0.020m remains to be programmed. Forecast to finish 2015/16 and 2016/17 projects by the end of July 2017 then commencement of the 2017/18 programme. There is a risk of slippage on 2017/18 projects.
- 2017/18 Public Rights of Way - £0.250m budget programmed out into projects, with a number with no spend to date. Assurance has been sought and provided by project managers that the programme will be spend as per approved delivery programme.
- Heysham - completion certificate issued on the 31st May 2017 which represents the start of the 12 month defect period. Work is still being undertaken on minor defects including landscaping along with compensation quotes being prepared. Some lighting and traffic regulation works are almost complete. The project manager is awaiting the draft stage 3 Safety Audit. On target to fully spend all of 2017/18 budget.
- City Deal - £2.500m contribution to City Deal is fully committed and will be transferred in the final quarter.
- Pennine Reach - The programme of work has encountered some land acquisition issues at Frank Street. In addition, as a result of some issues around land tribunals at Accrington Bus Station costs have come in over budget (£0.357m excluding court fees). The project has been included in the 2017/18 forecast but is at risk of slipping into 2018/19.
- Skelmersdale Rail Link - £3.380m has been approved for 2017/18 the rail link in West Lancashire, It is estimated that the full budget will be spent within the financial year. This will be reviewed in quarter 2.

3.7 Adults and Community

Spend less than budget of £0.931m is forecast on the current 2017/18 profiled budget. This is explained as follows:

A variance of £0.931m has currently been forecast against the un-programmed budget amounts which relate to libraries and the new additions from Cabinet. Work is currently underway to load new projects within PPMS along with expenditure profiling. This will be further outlined within the Quarter 2 report.

Work is also currently underway to finalise actions to the authority's old peoples' homes for fire safety and general up-grades which will make the facilities fit for purpose moving forward.

3.8 Waste

Spend less than budget of £0.069m is forecast on the current 2017/18 profiled budget. This is explained as follows:

A £0.069m variance is forecast due to slippage relating to the Fire Suppression Systems at Thornton and Farrington. Currently the project is on hold pending the implementation of a risk mitigation strategy. Spend in Quarter 1 relates to the Asset Preservation project which is now fully spent.