



Money Matters

The County Council's Capital Financial Position 2018/19 Quarter 3 and 2019/20 Programme

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Capital Programme Monitoring - December 2018

1. Summary

Cabinet on 13 September 2018 agreed a 2018/19 delivery programme of £114.817m which followed a detailed review of the multi-year capital programme and a prudent assessment of deliverability during the financial year. The in-year delivery programme has subsequently been increased to £120.903m to reflect approved changes. The forecast outturn for 2018/19 based on the position at the end of quarter 3 is £131.030m against the agreed 2018/19 capital delivery programme of £120.903m, a variance of £10.127m or c8.4%. The variance is not the result of net overspending on schemes and is due to forecast earlier than planned delivery of programme activity which had been prudently profiled into 2019/20 and later years.

2. 2018/19 Delivery Programme

The 2018/19 delivery programme of £114.817m agreed by Cabinet in September 2018 has increased to £120.903m reflect agreed additions and reprofiling as set out in Table 1 below.

Table 1 – 2018/19 Delivery Programme

Service Area	Total delivery programme 2018/19 at Q1	Agreed budget changes and reprofiling	Total delivery programme 2018/19 at Q3
	£m	£m	£m
Schools (Excluding DFC)	22.827	-0.760	22.067
Schools DFC	2.767	0.000	2.767
Children and Young People	0.644	0.000	0.644
Highways	45.484	2.858	48.342
Transport	13.912	-0.098	13.817
Externally Funded Schemes	0.600	1.338	1.938
Waste and Other	0.677	0.000	0.677
Adult Social Care	13.687	0.000	13.687
Corporate	10.499	2.745	13.244
Vehicles	3.720	0.000	3.720
Grand Total	114.817	6.086	120.903

3. Variance Analysis

The forecast variance as at December 2018 is £10.127m as detailed by service block in Table 2 below along with a split of the proportion of the variance resulting from both forecast net under or overspending on schemes and the net impact of early delivery and slippage on schemes within the blocks.

Table 2 – Forecast Outturn and Variance Analysis

Service Area	2018/19 Delivery Programme	Forecast Outturn	Forecast Variance	Forecast Variance due to net under or overspending on schemes	Forecast Variance due to net slippage / early delivery
	£m	£m	£m	£m	£m
Schools (excl DFC)	22.067	20.000	-2.067	-0.911	-1.156
Schools DFC	2.767	2.767	0.000	0.000	0.000
Children and Young People	0.644	0.562	-0.083	-0.001	-0.082
Highways	48.342	51.303	2.962	0.045	2.917
Transport	13.817	15.815	1.998	-0.190	2.188
Externally Funded	1.938	1.974	0.036	0.036	0.000
Waste and Other	0.677	1.619	0.942	0.000	0.942
Adults Social Care	13.687	13.817	0.130	0.000	0.130
Corporate	13.244	19.153	5.909	0.580	5.329
Vehicles	3.720	4.020	0.300	0.000	0.300
Totals	120.903	131.030	10.127	-0.441	10.568

Of the forecast £131.030m spend, it is estimated that £39.308m will be funded by Borrowing, £85.312m will be funded by Grants and £6.410m will be funded by Developer and other 3rd Party Contributions.

4. Narrative on Variances

Schools

The Schools capital delivery programme for 2018/19 is £24.834m with forecast outturn of £22.767m, a variance of £2.067m resulting from net underspending on projects in their final stages including, most significantly Holy Cross (£0.681m underspend) and St. George's (£0.159m underspend). There is also net slippage on schemes of £1.156m, most significantly covering Whalley CE Primary School (£0.427m slippage due to undertaking value engineering work in response to budget pressures) and Langho St Marys (0.480m slippage due to redesign work).

Children and Young People

The Children and Young People capital delivery programme for 2018/19 is £0.644m with forecast outturn of £0.562m, a variance of £0.083m resulting primarily from slippage on the Residential Redesign programme with some of the budget not yet allocated to a specific scheme.

Highways

The Highways capital delivery programme for 2018/19 is £48.342m with forecast outturn of £51.303m, a variance of £2.962m. The variance is primarily the result of earlier than profiled delivery across a number of schemes including, most significantly, Inlay schemes (£0.709m), Street Lighting (£0.768m), Drainage (£0.550m), Footways £0.737m and small levels of early delivery across a number of other schemes.

Transport

The Transport capital delivery programme for 2018/19 is £13.817m with forecast outturn of £15.815m, a variance of £1.998m. The variance is a combination of net underspends totalling £0.190m on schemes in their final stages and net earlier than profiled delivery of £2.188m. The underspends primarily relate to the Skelmersdale rail link clearance of the Glenburn site (£0.106m) and small underspends on a number of road safety schemes.

The net earlier than profiled delivery of £2.188m primarily covers forecast expenditure of £1.096m on the Burnley Pendle Growth Corridor, £1.255m on Townscape Heritage Initiative programmes, £0.983m on The East Lancashire Cycle network programme with some offsetting slippage in relation to the NPIF programme, Skelmersdale Rail link and on Road Safety projects.

Waste and Other

The Waste and Other capital delivery programme for 2018/19 is £0.677m with forecast outturn of £1.619m, a variance of £0.942m. The variance is all the result of earlier

than profiled delivery primarily covering fire suppression systems at Farrington Waste plant and Thornton Waste plant (£0.446m), Household Waste Recycling Centres (£0.372m), ISSIS Replacement/Resolution ICT system upgrades (£0.095m) along with other low levels of expenditure across a number of 2019/20 profiled schemes.

Adult Social Care

The Adult Social Care capital delivery programme for 2018/19 is £13.687m, with forecast outturn of £13.817m, a variance of £0.130m due to earlier than profiled delivery on Social Care Reform LpRes system (£0.094m) and the Preston Chapel Yard Changing Places project (£0.036m).

Corporate

The Corporate capital delivery programme for 2018/19 is £13.244m, with forecast outturn of £19.153m, a variance of £5.909m. Outturn spend against this budget is forecast at £19.153m giving a variance of £5.909m against the delivery programme and primarily covers earlier than profiled delivery across a number of schemes:

- Brierfield Mill commitment of £0.547m to support the redevelopment of the old Northlight Mill in conjunction with Growth Deal funding to provide economic benefit in Pendle.
- Additional works on Cuerden Strategic site costing £0.687m to safeguard the initial road preparation works awaiting future plans for the site.
- Additional works to reopen libraries in areas where service had ceased of £0.802m
- £0.244m of spend to terminate leases and consolidate the amount of building stock used by the council
- £0.904m on the councils stock of residential care homes to create additional capacity and to facilitate the use of greener heating systems
- £4.489m on reactive maintenance projects to repair and maintain council's building assets and to adapt for the needs of disabled people totalling

The earlier than profiled delivery is offset by slipped delivery on various projects including

- £0.670m relating to Highways Infrastructure Fund Support bids due to delays in appointing consultants and agreeing scope with partners.
- £1.181m relating to Lomeshaye Industrial Estate due to delays in delivery partner contracting and proving defrayed expenditure.

Vehicles

The Vehicles capital delivery programme for 2018/19 is £3.720m, with forecast outturn of £4.020m giving a variance of £0.300m against the delivery programme due to:

- Slipped Delivery of -£0.300m on Mobile Libraries as it is anticipated that only one vehicle will be delivered this financial year.
- Additional delivery of £0.600m due to service requirements resulting in more orders being placed this year than originally expected.

5. 2019/20 Capital Delivery Programme

A summary of the proposed capital delivery programme for 2019/20 of £130.289m is shown below. The proposed 2019/20 delivery programme will include the provision to complete works already in the programme and the addition of projects identified for utilising the updated capital grant funding for 2019/20.

The proposed delivery programme is broadly similar in scale to the forecast outturn for 2018/19 covered earlier in the report and may need to be updated when the actual outturn position is confirmed to reflect any reprofiling impact on 2019/20 that may be required. Table 3 below provides an analysis of the proposed delivery programme for 2019/20 by service block.

Table 3 – 2019/20 Capital Delivery Programme

Programme	Existing commitments 2019/20	Additional monies received	2019/20 Grants profiled for future years spend	Initial indicative programme subject to profiling
	£m	£m	£m	£m
Schools (excl DFC)	20.925	22.005	-21.072	21.859
Schools DFC	2.527	2.527	-2.527	2.527
Children & Young People	0.027	0.000	0.000	0.027
Highways	15.613	31.163	0.000	46.776
Transport	24.434	12.192	-6.499	30.128
Externally Funded schemes	0.111	0.000	0.000	0.111
Waste & Other	0.090	0.100	0.000	0.190
Adult Social Care	0.003	13.651	0.000	13.654
Corporate	6.297	5.000	0.000	11.297
Vehicles	2.040	1.680	0.000	3.720
Total	72.068	88.319	-30.098	130.289

Table 4 below shows how the 2019/20 Capital Delivery Programme is expected to be funded with a forecasted borrowing level for 2019/20 of £34.924m and the financing costs have been reflected in the medium term financial strategy.

Table 4 – 2019/20 Capital Delivery Programme Funding Sources

Programme	Initial indicative programme subject to profiling	Funded by borrowing	Funded by Grant	Funded by Contributions / Other funding sources
	£m	£m	£m	£m
Schools (excl DFC)	21.859	0.000	21.859	0.000
Schools DFC	2.527	0.000	2.527	0.000
Children & Young People	0.027	0.027	0.000	0.000
Highways	46.776	16.190	26.037	4.549
Transport	30.128	3.500	23.907	2.721
Externally Funded schemes	0.111	0.000	0.000	0.111
Waste & Other	0.190	0.190	0.000	0.000
Adult Social Care	13.654	0.000	13.654	0.000
Corporate	11.297	11.297	0.000	0.000
Vehicles	3.720	3.720	0.000	0.000
Total	130.289	34.924	87.984	7.381

Highways

The additional money available for development of the 2019/20 programme is £31.163m this is made up of £10.229m of Additional Maintenance allocation less £1.500 already allocated to the 2018/19 programme, plus £3.867m of Highways Incentive funds and £18.567m of Highways Maintenance grant.

There are also existing annual commitments of £15.613m. These include £6.155m from previous decisions to capitalise certain works which are funded from borrowing - split £2.700m structural defects, £1.461m drainage dig downs, £0.150m traffic signals, and £1.844 street lighting defects. There is also a commitment of £4.549m to replace energy inefficient lanterns which is funded from a loan and the remaining £4.909m is made up of slippage forecast from the 2018/19 programme. Table 5 below details the make-up of the Highways delivery programme.

Table 5 – Highways 2019/20 Delivery Programme

Programme	Existing commitments 2019/20	Additional monies received	2019/20 Grants profiled for future years spend	Total Programme Cost
	£m	£m	£m	£m
Moss Roads	0.400	0.800	0.000	1.200
Risk based condition assessments	0.000	1.150	0.000	1.150
In year priorities	0.000	0.119	0.000	0.119
Surface dressing & prepatching	0.364	2.000	0.000	2.364
Emerging priorities	0.000	0.265	0.000	0.265
Safety camera maintenance	0.000	0.110	0.000	0.110
Derby street Bridge Ormskirk	0.162	0.501	0.000	0.663
Salter Fell	0.225	0.000	0.000	0.225
Greyhound viaduct	0.142	0.000	0.000	0.142
Altham Road	0.090	0.000	0.000	0.090
ABC Roads	0.000	9.800	0.000	9.800
Rural Unclassified Roads	0.000	1.508	0.000	1.508
Urban Unclassified Roads	0.000	2.875	0.000	2.875
Footways	0.050	2.900	0.000	2.950
Surveys & Coring	0.000	0.610	0.000	0.610
Street Lighting	6.393	1.000	0.000	7.393
Bridges	1.376	3.000	0.000	4.376
Drainage	2.061	1.000	0.000	3.061
Structural Defects	2.700	2.000	0.000	4.700
Traffic Signals	0.150	0.300	0.000	0.450
Geotechnical and other surveys	0.000	0.100	0.000	0.100
Jet Spray Patching	0.000	1.000	0.000	1.000
Project & Resources	0.500	0.000	0.000	0.500
Dft Pothole Action Fund	1.000	0.000	0.000	1.000
Fishergate Public Realm Improvements	0.000	0.125	0.000	0.125
Total	15.613	31.163	0.000	46.776

Transport

The additional monies available for development of the 2019/20 delivery programme is £12.192m comprised of Integrated Transport Block funding of £6.054m, safer roads fund totalling £3.038m and National Productivity Investment Fund of £3.100m. The profiling of these amounts will be re-evaluated once the outturn position is finalised. Table 6 below details the proposed Transport Delivery Programme.

Table 6 – Transport 2019/20 Delivery Programme

Programme	Existing commitments 2019/20	Additional monies received	2019/20 Grants profiled for future years spend	Initial indicative programme subject to profiling
	£m	£m	£m	£m
City Deal	5.242	2.500	-1.742	6.000
Other transport schemes	5.674	2.774	-3.137	5.312
Safer roads	0.067	3.038	-0.050	3.055
M55 Heyhouses (NPIF)	0.800	3.100	0.000	3.900
Bus Stop Equality Act	0.015	0.000	0.000	0.015
Cycling Safety	0.560	0.000	0.000	0.560
Burnley Pendle & Hyndburn Growth Corridor	2.690	0.000	0.000	2.690
East Lancs Cycle Network	2.248	0.000	0.000	2.248
Hala Road Junction	0.099	0.000	0.000	0.099
Skelmersdale Rail Link	0.792	0.000	0.000	0.792
Ormskirk Town Centre	0.087	0.000	0.000	0.087
Heysham Link	2.483	0.780	-0.780	2.483
LTP - Sustainable Transport	1.508	0.000	0.000	1.508
South Ribble Park & Ride	0.000	0.000	0.000	0.000
Quality Bus Routes	0.990	0.000	-0.790	0.200
Road Safety	0.785	0.000	0.000	0.785
Public rights of way	0.395	0.000	0.000	0.395
Total	24.434	12.192	-6.499	30.128

Schools

The Basic Needs capital funding for 2019-20 is £12.005m however due to the level of commitments and planned delivery in 2019/20 being funded by 2018/19 grant all this money is currently estimated to be profiled for spending in the 2020/21 year.

Corporate

Along with the existing commitments of £6.297m to complete ongoing projects it is estimated that there will be a requirement for spend on the Corporate property stock. The expected spend in 2019/20 is estimated to be £3.000m funded from borrowing with individual projects under £0.300m being approved for commencement by capital board and projects over £0.300m requiring cabinet approval before commencement.

As has been the case over the last few years it is expected that there will be requests through the year for spend on economic development projects, either gap funding of projects or case building appraisal work. It is requested that a pot of £2.000m funded from additional borrowing is created, and for projects requiring this funding due to their significance regionally, or potential commitment to future capital asks should be approved by cabinet before commencement.

Adult Social Care

£13.652m of the Adult Social Care capital delivery programme is an estimated amount for the Disabled Facilities Grant which is received in and then passported out to district councils to deliver.