**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.

1. **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** |

1. **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.

1. **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.