



## **Money Matters**

# **The County Council's Capital Financial Position 2019/20 Quarter 2 and 2019/20 Revised Programme**

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## 1. Executive summary

In February 2019 an indicative 2019/20 capital delivery programme of £130.289m was agreed at full council. Subsequently approved additions and re-profiling of the programme have increased the in-year programme to £149.598m with a forecast outturn at the end of quarter 2 of £147.107m, a variance of £2.490m or c1.6%.

The delivery programme is shown in section 2 split by block. This 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 the remainder of 2019/20 to ensure variances are 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. Delivery programme

The current delivery programme was originally agreed in June 2019. It is made up of the cabinet agreed 2019/20 budget (updated with any approved decisions and reprofiling since June 2019) and an expected delivery amount for prior year schemes. This will form the basis of the monitoring report. The total delivery programme is £149.597m as set out in Table 1 below:

**Table 1 – 2019/20 Capital Delivery Programme**

Service Area	Original Delivery Programme agreed Feb 19	Cabinet Decisions	Reprofiling Changes	Revised 2019/20 Delivery Programme
	£m	£m	£m	£m
Schools (including DFC)	24.386	10.391	-8.725	26.052
Children and Young People	0.027	0.480	-0.446	0.061
Highways	46.776	2.582	4.142	53.500
Transport	30.128	0.298	-9.515	20.911
Externally Funded Schemes	0.111	10.864	0.449	11.424
Waste and Other	0.190	0.000	0.606	0.796
Adult Social Care	13.654	0.926	1.586	16.166
Corporate	11.297	0.000	6.030	17.327
Vehicles	3.720	0.000	-0.360	3.360
<b>Grand Total</b>	<b>130.289</b>	<b>25.541</b>	<b>-6.233</b>	<b>149.597</b>

### 3. Variance Analysis

The forecast variance as at September 2019 is £2.490m. Analysis of the variance is shown in table 2 below. A more detailed narrative on the key items making up the variances by block can be found in the section 4 of the report.

**Table 2 – Summary Capital Delivery Programme Position as at 30<sup>th</sup> September 2019**

Service Area	Total delivery programme for 2019/20	Expenditure to date	Total Forecast Expenditure	Forecast Variance
	£m	£m	£m	£m
Schools (exc DFC)	23.552	8.727	23.230	-0.322
Schools DFC	2.500	0.000	2.000	-0.500
Children and Young People	0.061	0.004	0.531	0.470
Highways	53.500	23.740	54.299	0.799
Transport	20.911	5.592	17.982	-2.929
Externally Funded	11.424	2.810	11.536	0.112
Waste and Other	0.796	0.228	0.821	0.025
Adults Social Care	16.166	15.414	17.096	0.930
Corporate	17.327	5.773	16.252	-1.075
Vehicles	3.360	0.528	3.360	0.000
<b>Totals</b>	<b>149.597</b>	<b>62.816</b>	<b>147.107</b>	<b>-2.490</b>

The total forecast expenditure for 2019/20 is £147.107m funded from a combination of borrowing (£52.556m), grants (£84.191m) and contributions (£10.360m). There is a small variance currently forecast of £2.490m and table 3 below summarises the breakdown of this forecast variance.

**Table 3 – Analysis of Forecast Variance**

Service Area	Forecast Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Earlier than profiled delivery
	£m	£m	£m	£m	£m
Schools (exc DFC)	-0.321	-0.298	0.007	-2.484	2.454
Schools DFC	-0.500	0.000	0.000	-0.500	0.000
Children and Young People	0.470	0.000	0.000	-0.011	0.480
Highways	0.799	0.000	3.000	-2.251	0.050
Transport	-2.930	-0.058	0.017	-3.540	0.652
Externally Funded	0.112	-0.008	0.012	0.000	0.109
Waste and Other	0.025	0.000	0.025	0.000	0.000
Adults Social Care	0.930	0.000	0.000	0.000	0.930
Corporate	-1.075	-0.075	0.000	-1.000	0.000
Vehicles	0.000	0.000	0.000	0.000	0.000
<b>Totals</b>	<b>-2.490</b>	<b>-0.439</b>	<b>3.061</b>	<b>-9.786</b>	<b>4.675</b>

Underspends and potential underspends cover schemes that are forecast to be completed under budget. As per the capital financial regulations, these underspends can be repurposed within the same programme to allow for additional spend on other projects

Overspends and potential overspends cover schemes that are forecast to be completed over budget. As per the capital financial regulations, these underspends can be covered through repurposed monies within the same programme.

Slipped delivery covers expenditure that was originally forecast to be incurred in 2019/20 but is now forecast to be slipped into later years.

Earlier than profiled delivery covers expenditure on schemes within the approved multi-year programme but not originally scheduled in the current year delivery programme.

## **4. Detailed Narrative**

### **Schools**

**The schools capital programme (including devolved formula capital (DFC)) has a 2019/20 delivery plan of £26.052m. The delivery plan (excluding DFC) has 209 schemes that will be worked on this year. The current forecast outturn is £25.230m, a variance of £0.821m.**

### **Basic Need**

The objective of the basic need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects. The 2019/20 delivery plan for this programme is £11.550m. There are currently 10 active schemes and 11 in final financial closure processes. Of the active schemes, most are on site under construction with a few recently approved projects undergoing detailed design processes.

The current forecast for the overall programme at September 2019 is £11.525m, a variance of £0.025m from the delivery plan. This is due to some minor revisions to planned timescales but there are currently no known significant variances to the delivery plan.

### **Condition**

The condition programme delivers a variety of grant funded works to address priority condition issues at school buildings. The works are usually undertaken over the summer to minimise disruption and includes works to replace boilers, flat roofs, windows, electrical wiring, plus legionella and asbestos remedials.

The delivery plan for 2019/20 is £12.001m and will see the financial completion of 116 projects delivered in previous years and the start of a new programme of 48 projects approved by cabinet in March of this year. A further 25 projects commencing last year will continue to be delivered into 2019/20.

The current forecast at September 2019 is £11.702m, a net slipped delivery variance of £0.299m. The forecast variance to the delivery plan is made of £2.088m forecast slipped delivery, £0.242m of underspend partially offset by £2.031m of earlier than profiled delivery.

The forecast slipped delivery within the condition programme is due to a number of projects of a complex nature or of an emerging increase in scope which have necessitated deferral until next summer. The additional delivery forecast refers to a number of projects that have accelerated on the original delivery plan over the summer but mainly concerns the Rhyddings High School demolition and rebuild project which had additional budget approved in early August and will draw on future year budgets.

## **Childrens and Young People (CYP)**

**The CYP capital programme has a 2019/20 delivery plan of £0.061m. The delivery plan originally had 7 schemes to be worked on this year. The current forecast outturn is £0.531 at a variance of £0.470m over the delivery plan.**

The delivery programme includes some final expenditure on prior year schemes including the complex placement home for looked after children and an adolescent support unit which were completed last year. Also included in the delivery plan was the refurbishment of a crisis home. This project has now been deferred while an alternative location better suited is identified which accounts for £0.011m of slipped delivery variance against the delivery plan.

The remaining variance of £0.480m on the delivery plan refers to additional delivery currently forecast on the project approved by cabinet in May for a new overnight short break unit on the former North Cliffe school site in Great Harwood. The approval allowed the project to use prior year unallocated funds not included in the 2019/20 delivery programme. The project is part of a strategy previously approved to increase the quality of accommodation and reduce capacity and associated costs, in response to the introduction of individualised budgets for parents/carers of children with disabilities. There is a commitment to establish three new overnight residential units in accessible locations across the county over a phased period and this is the second such unit. Demolition of the current site is required and ecology surveys and initial design work has commenced.

## **Highways**

**The highways capital programme has a 2019/20 delivery plan of £53.500m. The delivery plan originally had approximately 500 schemes to be worked on this year. The current forecast outturn is £54.299m at a variance of £0.799m over the delivery plan.**

A summary of the main programmes within the block is below

### **Vehicle Restraint Barriers**

The allocation for vehicle restraint barriers was not included in the delivery plan at June 2019 as there were no plans in place to spend it at that time. It is now estimated that there will be spend of approximately £0.050m planning and reviewing the key risk routes.

### **Structural Defects**

There has continued to be significant spend (£4.039m) fixing structural defects with an overspend forecast in the region of £3.000m based on the continuation of current activity levels.

### **Provision of toilet facilities at Cuerden Mill**

Preparatory works need to be completed prior to the start of this project. It is now estimated that works will commence in 2020/21 resulting in slippage of £0.565m.

## **Bridges**

Forecast slippage of -£0.686m due to delays in a handful of 2019/20 schemes starting. Network Rail have yet to commence works on Highbury Road PBI and Meadow Lane. It is unlikely that work at Arley Brook and Buckden Wood will be completed in 2019/20 due to issues with procurement. There is also slippage on the Bridges structural maintenance programme.

## **Street Lighting**

The Salix LED replacement scheme is phased to deliver 70% of the scheme in 2019/20. Based on spend to date it is forecast that £1.000m will slip to 2020/21. It is probable that there will be an underspend on this programme when all works are complete which is likely to be reported in 2020/21

## **Energy Contract (prior years programme)**

This street lighting programme is now complete. There is an under spend of £1.085m. There have been discussions about a business case to use the underspend to increase the number of charging points.

## **Highways Block Residual Risks**

The current risks within the Highways block are-

Of the 38 2019/20 drainage schemes approximately half are still in the design phase which is likely to cause slippage into 2020/21

Within the 2019/20 rural unclassified programme, a number of schemes in the east of the County have been completed under budget, there may be some residual costs still to come through but there is a potential for an underspend to occur.

## **Transport**

**The transport capital programme has a 2019/20 delivery plan of £20.911m. The delivery plan has 159 schemes that will be worked on this year. The current forecast outturn is £17.982m, a variance of £2.930m.**

Summary detail of the main programmes are given below

### **Skelmersdale Rail Link**

An original delivery budget of £3.114m was created, the majority of which related to assessing the technical feasibility of constructing a rail link between the Wigan to Kirkby line and Skelmersdale. Initial studies have been completed and Network Rail are now tasked with higher level design, costing and impact assessments. Although monthly costs are incurred to Network Rail the project manager understands that the final expenditure will not now be required until 2020/21 lowering the forecast on this element to £1.500m (from £2.944m) and the forecast on the programme for 2019/20 to £1.669m.

## **Safer Roads Scheme**

Originally forecast that would be out to tender by December but procurement are still to determine what form the contract will be taking and whether the whole Programme can be tendered together. This will then have to go to cabinet and it is unlikely construction will begin in 2019/20. Jacobs are currently working on the technical specifications but the revised forecast shows slippage of -£1.500m.

## **Road safety**

Advanced delivery of 4 schemes (including Cockerham Road and Bellflower Junction) forecasting additional delivery of £0.126m. This has been offset in part by work at Runshaw lane (£0.040m) and Railway Street (£0.034m) slipping to 2020/21. These revisions now set the forecast at £0.926m against the delivery budget of £0.895m

## **East Lancs Strategic Cycleway**

The original delivery budget of £2.577m originally set for 2019/20 has been increased from the addition of Highways England funding (£1.700m) and is now set at £4.277m. The funding is to complete schemes Highways England had planned and there is a requirement for completion within this financial year and the expenditure forecast has increased to reflect this. £0.061m is now forecast to slip into 2020/21 due to bridleway challenges at Stubby Lee and Helmshore Viaduct project being delayed due to listed building protection and further drainage issues, though a resolution to the problems at Snig Hole has seen work begin.

## **NPIF**

Delivery budget of £1.095m. There is currently no variance forecast but a reallocation of the funding to be agreed following the transforming cities bid submission.

## **Burnley Pendle Growth Corridor**

There is a variance in the programme of £0.036. There is additional delivery of £0.095m including Halifax Road and Junction 7 (£0.030m & £0.010m) plus an increase in the forecast for the contingency £0.055m. There is slipped delivery of £0.090m on the Manchester Road Car Park as further planning permission will now be required, delaying the construction until 2020/21. The variance also includes underspends of -£0.057m from the cancelled schemes at Junction 8 M65 and the Junction 10 roundabout and an overspend of £0.017m at the Colne Road project.

## **Bus Stop Compliance**

Lancashire bus stop equality act is still expected to be completed in 2019/20 causing a variance of £0.029m due to additional delivery against the from the original delivery budget set.

## **Keeping Traffic Moving**

The programme is forecast to spend as per the delivery budget of £0.101m, with the exception of the urban traffic management & control system where Jacobs have been commissioned to undertake initial scoping work causing additional delivery of £0.040m.

## **Cycling schemes**

The programme has a net variance of £0.087m with additional delivery on 5 schemes totalling £0.138m and slipped delivery on 3 schemes totalling £0.052m.

## **Externally Funded Schemes**

**The externally funded schemes capital programme has a 2019/20 delivery plan of £11.424m. This is made up of the 2019/20 budget expected delivery of £10.864m and expected delivery of prior year's schemes of £0.560m.**

**The delivery plan has 29 schemes that will be worked on this year. The current forecast outturn is £11.536m, a variance of £0.112m.**

Forecasted additional delivery of £0.108m, notably on the Eastway Phase 2 S278 Works and A59 Pendle Road, Clitheroe schemes. The remaining amount on Eastway Phase 2 S278 Works is due to be spent by mid Feb 2020. The work on A59 Pendle Road is currently in the defect correction period and additional funds may be required from the developer.

There is a potential overspend variance of £0.012m across 3 schemes. The S278 Queensway Junction project is at risk as there is no allocated budget, causing an overspend variance against this scheme. The project is unable to progress until a payment method is established. The S278 A584 Lytham Road/Church Road Highway Works scheme has overspent whilst in the design stage, with additional design & supervision fees being sought from the developer.

Offsetting this is a potential underspend variance of £0.008m, notably on the S278 Preston Tunnel and Rising Mains project.

The main risk to the delivery plan is possible slippage on the M55 link road due to delays with land owners and ongoing design delays. Continuing delays could put some of the funding sources at risk which in turn will put the delivery of the scheme at risk.

## **Waste and Other**

**The waste and other capital programme has a 2019/20 delivery plan of £0.796m. The delivery plan currently has 5 schemes that will be worked on this year. The current forecast outturn is £0.821m giving a variance of £0.025m.**

The delivery programme covers 5 schemes, 4 of which are continued on from 2018/19. The largest of these schemes is the adult social care ICT upgrade project original funded from the waste and other funding block, comprising £0.500m of the overall delivery programme.

The variance of £0.025m is due to urgent costs which had to be made on Lytham household waste recycling centre. This is a project with no confirmed budget, but is going through approval stage. Urgent safety work is required on the site due to a recent high level accident during a skip compaction. The overall total needed to complete these safety works is currently being determined.

### **Adults Social Care**

**The adults capital programme has a 2019/20 delivery plan of £16.166m. The delivery plan currently has 5 schemes that will be worked on this year. The current forecast outturn is £17.096m giving a variance of £0.930m. Spend in the financial year to date as at 30<sup>th</sup> September is £15.414m.**

The disabled facilities grant money (£14.731m), which makes up the majority of the delivery plan, has now all been passported to district councils.

The extra care grant has now been separated out into 3 projects covering Preston, Chorley and Fleetwood. There is a risk that these 3 schemes, which were not included in the delivery plan, will incur expenditure during the year. The Chorley scheme is due to be completed by July 2020, with £0.930m forecasted this year, causing an additional delivery variance. There is no forecast for the Preston and Fleetwood schemes yet as we are awaiting confirmation on when these are likely to be delivered.

Other risks include a potential pre-delivery risk to the libraries ICT project as £0.627m of the £0.900m budget has already been spent, and potential slippage on the social care reform Lancashire patient record exchange service delivery plan as this is dependent on the delivery date of the system.

### **Corporate**

**The corporate capital programme has a 2019/20 delivery plan of £17.327m. The delivery plan currently has 48 schemes that will be worked on this year. The current forecast outturn is £16.252m giving a variance of £1.075m.**

Currently forecasting slipped delivery of £1.000m in the economic development programme due to the delay in allocating the carbon friendly energy grant to specific schemes. Spend on this is now likely to commence in 2020/21. There are also a number of small underspends on other schemes.

There is a risk of slipped delivery of approximately £1.000m on the works to operational premises programme. Delivery on projects linked to the children & families service delivery centres that were planned for this year are currently on hold awaiting service redesign and directorate asset plan changes. The resultant changes to programmes could result in slippage to delivery or changes to the overall delivery planned and is highlighted as a risk until further information is known

### **Vehicles**

**The vehicles capital programme has a 2019/20 delivery budget of £3.360m. The delivery programme has approximately 120 vehicles that are planned to be replaced this year plus 3 mobile libraries. The current forecast outturn is £3.360m giving a variance of £0.000m.**