



Money Matters

The County Council's Capital Financial Position 2019/20 December 2019 and 2019/20 Revised Programme

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Capital Programme Monitoring – December 2019

1. Executive Summary

In February 2019 an indicative Capital Delivery Programme of £130.289m was agreed with Cabinet. Subsequently approved additions and re-profiling of the programme have increased the in-year programme to £151.434m with a forecast outturn as at December 2019 of £132.623m, an underspend of £18.810m or c12.4%.

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.

Governance of the capital programme has been strengthened again in 2019/20 under the auspices of the Capital Board where responsibility for oversight and challenge of cost estimates and capital budgets sits along with performance monitoring to ensure we deliver to programme. The revised Financial Regulations allow for greater control at programme level which should allow for programmes to be delivered quicker with fewer hold-ups due to individual funding requests requiring approval.

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 re-profiling 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 £151.433m as set out in table 1 below:

Table 1 – 2019/20 Capital Delivery Programme

Service Area	Delivery Programme agreed Feb 19	Decisions	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m	£m
Schools (including DFC)	24.386	10.392	-8.725	26.053
Children and Young People	0.027	0.480	-0.446	0.061
Highways	46.776	4.064	4.142	54.982
Transport	30.128	0.413	-9.504	21.037
Externally Funded Schemes	0.111	11.016	0.449	11.576
Waste and Other	0.190	0.075	0.606	0.871
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
Grand Total	130.289	27.366	-6.222	151.433

3. Variance Analysis

The forecast underspend as at December 2019 is £18.810m. Further analysis of the variance is shown in table 2 below.

Table 2 – Summary Capital Delivery Programme Position as at 31st December 2019

Service Area	Total delivery programme for 2019/20	Expenditure to date	Total Forecast Expenditure	Forecast Variance
	£m	£m	£m	£m
Schools (exc. DFC)	23.553	13.477	19.342	-4.211
Schools DFC	2.500	3.089	3.989	1.489
Children and Young People	0.061	0.062	0.338	0.277
Highways	54.982	34.053	51.872	-3.110
Transport	21.037	7.671	15.226	-5.811
Externally Funded	11.576	4.506	7.047	-4.529
Waste and Other	0.871	0.239	0.899	0.028
Adults Social Care	16.166	15.540	17.710	1.544
Corporate	17.327	8.040	12.840	-4.487
Vehicles	3.360	1.466	3.360	0.000
Totals	151.433	88.143	132.623	-18.810

The total forecast spend for 2019/20 is £132.623m and funded from a combination of Borrowing (£47.101m), Grants (£76.299m) and Developer and 3rd Party Contributions (£9.223m).

There is an underspend currently forecast of £18.810m and table 3 below summarises the breakdown of this forecast variance

Key items included within the variances are-

- Slippage on schools basic need projects and Rhyddings school project due to winter delays,
- Slippage on the externally funded M55 Heyhouses link road design project due to doubts around funding,
- Additional delivery of adults extra care schemes invoiced ahead of schedule,
- Slipped delivery of the Skelmersdale rail link project following the extended feasibility study,
- Overspends on the highways structural defect programme due to continued work pressures and improvements in procedures.

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 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)	-4.211	-0.334	0.006	-5.826	1.943
Schools DFC	1.489	0.000	0.000	0.000	1.489
Children and Young People	0.277	-0.003	0.000	-0.014	0.294
Highways	-3.110	-1.780	2.300	-4.233	0.603
Transport	-5.811	-0.058	0.017	-6.643	0.873
Externally Funded	-4.529	-0.018	0.031	-4.650	0.108
Waste and Other	0.028	0.000	0.028	0.000	0.000
Adults Social Care	1.544	0.000	0.000	-0.150	1.694
Corporate	-4.487	-0.000	0.000	-4.648	0.161
Vehicles	0.000	0.000	0.000	0.000	0.000
Totals	-18.810	-2.193	2.382	-26.164	7.165

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 £26.053m. The delivery plan (exc. DFC) has 209 schemes that will be worked on this year. The current forecast outturn is £23.331m, an underspend of £2.722m.

Basic Need

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 £11.530m. There are currently 9 active schemes and 13 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 forecast for the programme at December 2019 is £9.338m, an underspend of £2.191 against the delivery plan. This is due to delays encountered over the winter months. Lytham St Annes High School expansion is reporting delays on site due to piling and drainage redesigns and foundation adjustments caused by a high water table. Barrow Primary is reporting an increase to the previously forecast delay, now estimated at 13 weeks. This is due to some initial delays to the design process plus recent events which have caused the contractors to work on site drainage issues before the programmed work can progress. Ribblesdale High is reporting a 4-5 week delay due to resource, weather and quality issues over November and December. Plans are in place to recover the delays by careful coordination of works during the summer.

Condition

The Condition Programme delivers a variety of grant funded works to address priority condition issues at school buildings. The works are usually undertaken during school holidays to minimise disruption and include works to replace boilers, flat roofs, windows, electrical wiring, plus legionella and asbestos remedials.

The delivery plan for 2019/20 is £12.022m and will see the financial completion of 116 projects delivered in previous years and the start of a new programme of 47 projects approved by cabinet in March of this year. A further 25 projects started last year will continue into 2019/20. The current forecast at December 2019 is £10.000m, a net underspend of £2.023 from the delivery plan.

Slipped delivery of £2.975m is reported. The Rhyddings High school rebuild is now expected to slip by £0.763m. Due to difficulty agreeing the design with the school, works on site that were originally planned for January 2020 will now commence in April 2020 and the project is estimated to complete in February 2021. Site enabling works have been arranged and are planned to commence in next month.

The 2018/19 and 2019/20 start programmes are reporting slipped delivery of £0.927m and £0.955m respectively. This is due to a number of the more complex schemes not advancing as planned due to more lengthy design and tendering processes. Some of these works have been postponed until the summer when they can be delivered during school closure.

Elsewhere, delivery of £1.228m in addition to the delivery plan is reported on many other projects in the programme which have been quick to progress ahead of schedule.

Underspends of £0.277m have been achieved and £0.330m of unspent contingency is forecast to be carried forward to 2020/21.

Devolved Formula Capital

The DFC programme is a grant funded programme for small to medium capital projects and is allocated to schools to commission themselves within capital expenditure guidelines. The rate of spending has continued to increase since the autumn, with schools likely now utilising the additional £4.200m boost to funding which was awarded as part of the chancellor's 2018 autumn statement. The current forecast is delivery of £1.488m in addition to the delivery budget. Further projects may arise in the springtime.

Children 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 £0.338m which is an overspend of £0.277m over the delivery plan.

The delivery programme includes some final expenditure on schemes completed last year including the complex placement home for looked after children and an adolescent support unit. Also included in the delivery plan is the refurbishment of a crisis home. This project has now been deferred while an alternative location better suited is identified causing £0.014m of slipped delivery variance against the delivery plan.

The remaining overspend of £0.290m on the delivery plan refers to additional delivery of a new overnight short break unit, approved at Cabinet in May. There is a commitment to close eight former short breaks units for children with disabilities and 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 continues to be planned for early 2020. However, there is a risk the work may slip to the following financial year if difficulties in disconnecting the gas supply to the old school building persist.

Highways

The highways capital programme has a 2019/20 delivery plan of £54.982m. The delivery plan has approximately 500 schemes to be worked on this year. The current forecast outturn is £51.872m an underspend of £3.110m under the delivery plan.

A summary of the main programmes within the block is given 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 (£5.972m) fixing structural defects. We have previously reported a projected overspend of £3.000m, however, this could now be as much as £3.500m if current trends continue. The additional £0.500m overspend will be met from underspends within the 2019/20 delivery programme. It has been necessary to increase the delivery plan by £1.200m so that operationally work can continue.

Provision of toilet facilities at Cuerden Mill

Preparatory works need to be completed prior to the start of this project. We previously reported slippage of £0.565m, however the estimated start date is now February 2020 resulting in reported slippage of £0.665m.

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 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 £1.430m 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.

Slippage of £0.446m across other street lighting programmes due to the amount of works still to be completed.

Energy Contract (prior years programme)

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

2018/19 Residential Urban Unclassified

This programme is now complete. There is an underspend of £0.380m mainly due to three schemes no longer being required. There are small underspends on other projects within the programme.

2019/20 Moss Roads

Works on Woods Lane and Island Lane have been programmed for delivery in April 2020 resulting in slippage of £0.228m. In addition only two moss road schemes funded from the 2019/20 incentive fund will be completed in 2019/20 with slippage of £0.338m.

Highways Pipeline

Following a decision to capitalise the cost of working on the 2020/21 capital programme, the forecast outturn is £0.400m.

Following the opening of Penwortham bypass and whilst the A59 was closed, the opportunity arose to advance deliver the resurfacing scheme included in the 2020/21 programme giving an additional delivery variance of £0.153m.

Highways Projects and Resources

£0.500m underspend within this programme has already been repurposed, there are now only four schemes remaining to be delivered and it is projected that there will be a further £0.500m underspend.

Roads

The 2019/20 programme includes provision for capital programme development costs however these are now being charged to the 2020/21 programme resulting in an underspend of £0.400m on the 2019/20 programme.

Incentive Fund

Tower Lodge retaining wall - Slippage of £0.070m due to needing Natural England and Flood Risk consent before proceeding.

Altham Road Hapton - Slippage of £0.200m due to needing Environment Agency consent, once received work can only be done outside of the fish spawning season.

Lancaster cattle grids – Slippage of £0.070m as only four projects will be completed in 2019/20.

Derby St Railway Bridge – Slippage of £0.100m. The majority of spend on this project is profiled in future years, however design works have slipped due to proposals being put on hold until the results of initial traffic modelling in Ormskirk is available.

Highways Block Residual Risks

There is likely to be an underspend on the 2018/19 pothole action fund programme which will be used to partially offset the structural defect overspend.

Of the 39 2019/20 drainage schemes just less than half are still in the design phase which is likely to cause slippage into 2020/21, however more progress has been made on prior year schemes than anticipated.

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.

Potential underspend within the £10.229m urban unclassified programme, due to over half of the 18 schemes having been completed under budget.

Transport

The transport capital programme has a 2019/20 delivery plan of £21.037m. The delivery plan has 160 schemes that will be worked on this year. The current forecast outturn is £15.226m, an underspend of £5.811m.

A summary of the main programmes within the block is 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 resulting in slippage of £1.445m.

Safer Roads Scheme

Originally forecast that the programme 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. It is unlikely construction will begin in 2019/20 causing slippage of £1.500m

Road safety

Advanced delivery totalling £0.123m with Cockerham Road, Bellflower Junction and Preesall Gateway (£0.061m, £0.045m and £0.017m respectively) all ahead of their original plan. Offsetting this are design delays in the projects at Runshaw Lane £0.040m and Railway Street £0.034m which are slipping to 2020/21. These revisions and small adjustments to other schemes create additional delivery of £0.031m against the delivery budget of £0.895m.

East Lancs Strategic Cycleway

£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. As the delays are on major sections it is creating a knock on effect with linked projects and combined with further disruption caused by the weather, the programme forecast has been revised to £2.424m, with the slippage against the delivery budget now being £1.853m.

Public Rights of Way

Consent issues with Natural England, Site of Special Scientific Interest and the Environment Agency in addition to some new drainage issues have pushed the forecasted delivery of a number of projects into 2020/21. The Capitol centre project is currently in dispute with the landowner and is now forecast that its budget will be spent in 2020/21. This combined with the delays already reported increases the slipped delivery to £0.302m.

National Productivity Investment Fund (NPIF)

Forecast of slipped delivery of £0.693m. The majority of this variance is due to the unallocated grant being used to pay for the transforming cities bid which is now not forecast to be required until 2020/21, in addition to delays in commencing the Riversway corridor project.

Burnley Pendle Growth Corridor

There is now additional delivery of £0.173m including Halifax Road and junction 7 (£0.163m & £0.010). 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.

Bus Stop Compliance

Lancashire Bus Stop Equality act has overcome supply problems and is now expected to be completed in 2019/20 causing an additional delivery variance of £0.029m. Slippage of £0.238m has now been forecast against the refurbishment of Ormskirk bus station, smart tickets machines and quality bus shelter projects all of which are expected to be now incurred in 2020/21.

Keeping Traffic Moving

The projects are on target with the exception of urban traffic management and control system where Jacobs have been commissioned to undertake initial scoping work forecast to cost an additional £0.040m.

Leyland Loop

Although the scheme has had complications and no delivery budget was set until landowner permissions could be agreed, there have been £0.014m of design fees incurred and it is now expected that £0.100m of additional delivery will be completed in 2019/20.

Cycling schemes

Projects at Ribbleson Avenue (£0.127m) and the Fleetwood to Thornton connection (£0.030m) are slipping into 2020/21, but this is offset by £0.138k of additional delivery due to projects such as Brindle Road and Buckshaw Avenue progressing more quickly than anticipated.

Externally funded schemes

The externally funded schemes capital programme has a 2019/20 delivery plan of £11.576m. The delivery plan has 32 schemes that will be worked on this year. The current forecast outturn is £7.047m, an underspend of £4.529m.

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-February 2020. The work on A59 Pendle Rd is currently in the defect correction period and the developer has been informed that completion is certified.

There is a potential overspend of £0.031m across six schemes. The S278 A584 Lytham Road/Church Road highway works scheme has overspent whilst in the design stage, due to additional design being required, some of which had to go external to Jacobs.

Offsetting this is a potential underspend of £0.018m, notably on the S106 east of Lancaster development works and S278 Preston tunnel and rising mains projects.

Additionally there is slipped delivery of £4.650m across four schemes. The largest of these is the S106 M55 Heyhouses link road design, which has estimated slipped delivery of £3.070m. The tender process for this scheme has been stopped until the County Council has certainty over funding, which is expected to take a number of months. Other notable schemes include the S278 UCLan masterplan, where slippage of £1.281m is caused by the ordering of materials from abroad with long lead in times and S106 Arley Homes, Vertex Training Site, where slippage of £0.130m is caused by Lancashire County Council public transport team requesting alterations to bus stop locations following comments received during a consultation. Further advertising is due to take place on this scheme in January 2020, with a Cabinet decision expected March 2020.

The M55 link road has currently been paused due to delays with land owners and ongoing design. If the scheme does not go ahead we may have to repay £1.683m spent overall, due to conditions on the NPIF grant and S106 agreement.

Another risk is to the S278 Steeley Lane area upgrade scheme where there has been a dispute in the amount Chorley Borough Council owe to Lancashire County Council. If not resolved, we may need to make up the £0.016m which remains unpaid.

The S278 A584 Lytham Road/Church Road highway works scheme is anticipated to spend an additional £0.903m this year for statutory undertaker diversions, however this will only go ahead if an invoice to the developer is paid.

Waste and other

The waste and other capital programme has a 2019/20 delivery plan of £0.871m. The delivery plan currently has 5 schemes that will be worked on this year. The current forecast outturn is £0.899m giving an overspend of £0.028m.

The delivery programme covers five schemes, four 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.

There is an overspend of £0.028m due to urgent costs which had to be made on Lytham Household Waste Recycling Centre. 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 social care 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 £17.710m giving an overspend of £1.544m.

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 three projects covering Preston, Chorley and Fleetwood. The Chorley scheme has now been paid and is to be completed next July, with £0.981m forecasted this year, causing an additional delivery variance. Similarly the Preston scheme has now been forecast to spend £0.540m in 2019/20 which is also additional delivery. Spend at Fleetwood is not expected until 2020/21

The Libraries ICT is reporting slipped delivery of £0.200m with the purchase of the four further self-service machines and the purchase of public Wi-Fi and print licences expecting to now fall into 2020/21. The Lancashire patient record exchange service project is awaiting Management Team sign off to take Liquid Logic forward and is now expected to create £0.150m of slipped delivery.

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 £12.840m giving an underspend of £4.487m.

Forecasted slipped delivery of £0.900m 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.

The programme of improvements to older people's residential homes is coming to an end and the forecast has now been reduced to £3.973m against the 2019/20 delivery budget of £5.232m

Work at White Cross Mill 14 is now expected to be completed by the end of the financial year causing additional delivery of £0.088m, utilising prior year funding not in the delivery budget.

Underspends within the library reinstatement programme of £0.003m where existing commitments on closed projects have now been cancelled.

The forecast on the two year programme of building condition work has been lowered from the initial £3.000m to £1.900m as a small number of projects are now on hold for year 2.

The information technology upgrade for children's social care project had additionally been forecast to require additional funds however this is now being funded from revenue causing an underspend of £0.073m.

Slipped delivery of £1.303m is now forecast on the works to operational premises programme due to delays in commencing some of the most recent projects, £3.987m is still forecast to be completed in 2019/20 and underspends on 16 completed projects has seen a combined £0.692m returned to the property portfolio rationalisation contingency.

Delivery on projects linked to the children and 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. This will not be known for some time yet so is currently 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 as per budget.

All of the 2019/20 delivery budget has been committed and scheduled for delivery within the 2019/20 financial year.