



## **Money Matters**

# **The County Council's Capital Financial Position 2020/21 September 2020 and 2020/21 Revised Programme**

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	<b>Contents</b>	<b>Page</b>
<b>1</b>	<b>Introduction</b>	<b>3</b>
<b>2</b>	<b>Delivery Programme</b>	<b>3</b>
<b>3</b>	<b>Risks to the Delivery Programme – Covid-19</b>	<b>4</b>
<b>4</b>	<b>Variance Analysis</b>	<b>4</b>
<b>5</b>	<b>Detailed Narrative</b>	<b>7</b>

## **Capital Programme Monitoring – September 2020**

### **1. Introduction**

In February 2020 an indicative Capital Delivery Programme of £133.842m was agreed at Full Council. Subsequently approved additions and re-profiling of the programme have increased the in-year programme to £157.929m with a forecast outturn as at September 2020 of £128.745m, a variance of -£29.184m or c18.5%.

The Delivery Programme is shown in section 2 split by block. This has been agreed by service heads as being deliverable with the caveat of the overarching risk detailed in section 3 of the report. The project and programme managers will be held accountable using the following actions:

- Detailed monitoring of the delivery programme through the remainder of 2020/21 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 is made up of the Full Council agreed 2020/21 budget (updated for subsequent approved decisions and reprofiling) and an expected delivery amount for prior year schemes. The total delivery programme for 2020/21 is £157.929m as set out in table 1 below:

**Table 1 – 2020/21 Capital delivery programme by block**

Service Area	Delivery Programme agreed Feb 20	Decisions	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m	£m
Schools (including DFC)	27.089	12.119	-12.326	26.882
Children and Young People	4.382	2.895	-5.728	1.549
Highways	40.121	38.143	-34.363	43.901
Transport	15.302	6.409	0.560	22.271
Externally Funded Schemes	6.574	1.937	1.314	9.825
Waste and Other	0.300	0.000	-0.300	0.000
Adult Social Care	16.231	0.000	0.757	16.988
Corporate	19.243	20.059	-11.649	27.653
Vehicles	4.600	4.600	-4.276	4.924
Transforming Cities Fund	0.000	3.936	0.000	3.936
<b>Grand Total</b>	<b>133.842</b>	<b>90.098</b>	<b>-66.011</b>	<b>157.929</b>

## 3. Risks to the Delivery Programme – Covid-19

The current delivery plan budget represents the estimated value of delivery during the financial year which the programme managers within each block have committed to deliver given a return to normal working conditions, with work then progressing as planned.

The impact of the Covid-19 pandemic on planned delivery is necessarily uncertain and therefore cannot be robustly reflected in the delivery plan budget. The figure shows the projects in line to be delivered and ones that programme managers would strive to deliver under normal working conditions. The continuing management of the

pandemic provides a large risk across the capital programme with risks to resources, supply chain and delivery.

The narrative for this monitoring report has been produced based on current conditions continuing for the remainder of the year. The risks to the delivery outturn due to a future 'second wave' and tier 3 restrictions and any associated restrictions have been omitted from the narrative. The risk encompasses the whole capital programme and the picture may become clearer as to what can be expected as we enter the second half of the financial year.

With this in mind, a reduced forecast has been drawn up to highlight the level of delivery that could still be achieved should Lancashire experience further service disruptions and site shutdowns linked to Covid-19 restrictions.

There is the possibility that costs may overrun on individual schemes due to Covid-19 issues affecting both supply and delivery methods which may increase processes on individual schemes. These will be monitored at a programme level using contingency budgets.

#### 4. Variance Analysis

The forecast variance as at September 2020 is -£29.184m. A breakdown of the variance to block level, along with the reduced forecast and variance is shown in table 2 below.

**Table 2 – Summary Capital Delivery Programme Position as at 30<sup>th</sup> September 2020**

Service Area	Total delivery programme for 2020/21	Spend to date	Total Forecast spend	Forecast Variance	Reduced Forecast	Reduced Forecast Variance
	£m	£m	£m	£m	£m	£m
Schools (exc. DFC)	24.456	8.914	18.556	-5.900	12.592	-11.864
Schools DFC	2.426	1.331	1.926	-0.500	1.926	-0.500
Children and Young People	1.549	0.272	0.927	-0.622	0.646	-0.903
Highways	43.901	23.491	44.791	0.890	30.223	-13.678
Transport	22.271	6.646	13.748	-8.523	10.130	-12.141
Externally Funded	9.825	4.483	9.748	-0.077	6.283	-3.542
Waste and Other	0.000	0.000	0.000	0.000	0.000	0.000
Adults Social Care	16.988	15.370	16.766	-0.222	16.202	-0.786
Corporate	27.653	4.575	17.159	-10.494	13.280	-14.373
Vehicles	4.924	1.250	3.924	-1.000	3.067	-1.857
Transforming Cities	3.936	0.351	1.200	-2.736	0.720	-3.216
<b>Totals</b>	<b>157.929</b>	<b>66.683</b>	<b>128.745</b>	<b>-29.184</b>	<b>95.069</b>	<b>-62.860</b>

The key changes to both the initial forecasts and the reduced forecasts are due to slippage in projects agreed would be delivered this year, this is in some cases due to the deploying of resources on other c-19 activity (i.e. the active travel restart) as well as delays to procurement of projects thought capable of being delivered this year and have now slipped to 2021/22 delivery.

The reduced forecast is based on both a reduction for the normal slippage that happens with complex capital programmes and a further reduction for the potential impact of any reduced activity through tier 3 or further national lockdowns in the remaining months of the year.

The total forecast spend for 2020/21 is £128.745m and funded from a combination of Borrowing (£48.135m), Grants (£66.856m) and Developer and 3rd Party Contributions (£13.754m).

The current forecast variance is -£29.184m and table 3 below summarises the breakdown of this forecast variance with a detailed narrative on the key items making up the variances by block found in the section 5 of the report

**Table 3 – Analysis of Forecast Variance**

Service Area	Forecast Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Additional delivery
	£m	£m	£m	£m	£m
Schools (exc. DFC)	-5.900	-0.125	0.007	-6.913	1.131
Schools DFC	-0.500	0.000	0.000	-0.500	0.000
Children and Young People	-0.622	0.000	0.000	-0.627	0.005
Highways	0.890	0.000	1.024	-1.072	0.938
Transport	-8.523	-0.082	0.000	-9.983	1.542
Externally Funded	-0.077	0.000	0.102	-0.190	0.011
Waste and Other	0.000	0.000	0.000	0.000	0.000
Adults Social Care	-0.222	-0.010	0.000	-0.212	0.000
Corporate	-10.494	-0.505	0.017	-11.246	1.240
Vehicles	-1.000	0.000	0.000	-1.000	0.000
Transforming Cities	-2.736	0.000	0.000	-2.736	0.000
<b>Totals</b>	<b>-29.184</b>	<b>-0.722</b>	<b>1.150</b>	<b>-34.479</b>	<b>4.867</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 2020/21 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.

## 5. Detailed Narrative

### Schools

**The schools capital programme (including devolved formula capital (DFC)) has a 2020/21 delivery plan of £26.882m. The delivery plan (excluding DFC) has 150 schemes that will be worked on this year. The current forecast outturn is £20.482m, a variance of -£6.400m.**

A summary of the main variations within the block is given below

### Basic Need Programme

The purpose of the Basic Need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects.

There is forecast slipped delivery of -£2.466m. This is due to work not progressing as planned on a number of schemes over the summer, the most significant of which are:

- The Unity College expansion has delays in clearing the site in readiness for the building work to commence. Added to this, the planning application decision remains outstanding but is expected imminently. As a result of the current uncertainties affecting the project's critical path, the forecast expenditure has been reduced causing a -£1.270m slipped delivery variance. This may be improved in future months when a start date is confirmed and expenditure begins.
- The Tom Finney high school expansion project required a revised project brief and due to this no further work has been done on the project and it is now unlikely to be on site this financial year, causing a slipped delivery variance forecast of -£0.390m.
- The refurbishment works at The Haven School have been designed and will be taken up to tendering processes but the scheme is on temporarily on hold until consultations can be held resulting in a slipped delivery variance forecast of -£0.450m.
- Oswaldtwistle Broadfield School relocation to the former Hameldon school site has been delayed due to delays incurred on the Rhyddings school rebuild. Initial site works have started but a slipped delivery variance of -£0.175m is now expected.
- Work is progressing on the Briercliffe Primary School expansion site but there are some delays due to supply chain issues and defects found on site. A revised programme is being devised, causing a slipped delivery variance of – £0.127m.

Lea Community Primary School expansion has progressed well and is now in the defects stage, with £0.159m of advanced delivery variance forecast for 2020/21.

Burnley City Learning Centre Remedial work is now in final stages and has additional delivery variance of £0.099m. Other smaller delivery additions total £0.122m over 4 other projects.

### **Condition Programme**

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 and half terms breaks to minimise disruption and includes works to replace boilers, flat roofs, windows, electrical wiring, plus legionella and asbestos remedials. Overall savings made on the programme in the year to date are -£0.864m, which has been returned for reallocation to future schemes.

Slipped delivery of -£4.447m has emerged where work has not been able to progress as planned over the summer. The 2020/21 new starts programme of work is subsequently reporting slipped delivery of -£1.924m. Some of the work was rescheduled for the October break but there is a risk forecast expenditure could reduce further if it transpires tendered work cannot be accommodated in the autumn or winter breaks and has to be postponed until next summer.

The majority of the slipped delivery variance observed in the Condition programme refers to the Rhyddings High school rebuild project. It has been met with delays after revised building regulations have necessitated additional works and more structural issues were uncovered on site, for which further costing is required and a budget agreed before the full scheme can be instructed with a contractor. Consequently, the project now reports a forecast slipped delivery variance of -£1.801m. This may improve once certainly is provided around a start date for the rebuild. Enabling works have been instructed and preparatory work has begun on site in readiness. Smaller delivery delays totalling -£0.722m across a number of projects from prior year programmes are reported where agreements for additional funding are likely to be required to proceed.

Additional delivery of £0.751m is reported across a number of projects, £0.475m of this being on projects in the new programme that have progressed well and the remaining comprising mainly of small adjustments to settle final project costs.

### **Devolved Formula Capital**

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools on a formula basis by the DfE in order for schools to spend on capital projects within expenditure guidelines. Spend to date is £1.331m. The forecast position is £1.926m, a variance of -£0.500m from the 2020/21 delivery plan of £2.426m. It is difficult to estimate likely expenditure as projects are not commissioned centrally. This will be reviewed after the October break.

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

**The CYP capital programme has a 2020/21 delivery plan of £1.549m. The delivery plan has 2 schemes that will be worked on this year. The current forecast outturn is £0.927m, a variance of -£0.622m.**

### **Residential Overnight Short Breaks**

In February 2020 a proposal was approved by cabinet to develop purpose built short break units for adults with disabilities and complex needs alongside the previously approved children's unit on the former North Cliffe site. A budget of £2.895m was approved including a contribution of £0.300m from Hyndburn borough council. The first project tackles the demolition of the former North Cliffe special school in Great Harwood. The demolition work was completed over the summer and enabling works continue to ready the site for the new building works to commence. £0.004m additional delivery has been incurred.

The second project refers to the construction of the new units, which will be delivered together. A contract has been awarded and there is a provisional start date of the 26th October for a 70 week building programme, reduced from the anticipated 104 week programme. However, a planning consent referring to the drainage design is awaiting formal discharge by planners and it is unclear if this will require flood risk consultation which will delay the planned start date on site. A slipped delivery variance of -£0.627m is therefore reported.

## **Highways**

**The Highways capital programme has a 2020/21 delivery plan of £43.901m. The delivery plan has over 500 schemes that will be worked on this year. The current forecast outturn is £44.791m, a variance of £0.890m.**

Since July the delivery programme has increased by £4.452m mainly due to the programming of works funded from the additional £15.891m grant from the Department of Transport.

The current forecast outturn is £44.791m which is primarily due to a £1.000m overspend on structural defects and additional delivery of £0.938m offset by slippage of -£1.073m.

The projected overspend on structural defects is due to an increase in the number of potholes being reported. If this trend continues then an overspend in the region of £1.000m is forecast. There are also smaller overspends totalling £0.024m across the remainder of the Highways Block.

The additional delivery includes £0.284m on the urban unclassified pre-patching programme for 2020/21, £0.104m on the 2020/21 ABC programme, £0.095m on

treatment of patched carriageways and footways and £0.059m on the 2020/21 rural unclassified programme.

There is also projected additional delivery on the bridges structural maintenance programme of £0.255m. This programme was developed when the lockdown was in force across the country. Since the lockdown restrictions were eased, the bridges structural maintenance team along with the highways team have been able to deliver more work than initially anticipated.

More progress has been made completing some of the outstanding previous year's drainage schemes resulting in forecast additional delivery of £0.106m.

The contract for vehicle replacement barriers hasn't been awarded yet and as a result it's likely that most of the works will slip into 2021/22, causing a forecast variance of -£0.500m.

Across the Highways block further forecast slippage of -£0.299m is due to a sub-contractor cancelling two road schemes, another scheme -£0.131m has been delayed because tar bound materials have been found in the surface and there have been delays to a scheme in Morecambe due to needing to obtain consent from British Heritage causing slippage of -£0.042m. Slippage of -£0.100m on the Street lighting risk based assessment programme is also forecast.

## **Transport**

**The Transport capital programme has a 2020/21 delivery plan of £22.271m. The delivery plan has 157 schemes that will be worked on this year. The current forecast outturn is £13.748m, a variance of -£8.523m.**

A summary of the main variations within the block is given below

### **Lancashire Safer Travel Restart**

Lancashire was awarded £3.501m for Covid recovery. This is to be utilised for instant schemes reallocating road space for pop-up bike lanes, wider pavements, cycle and bus-only streets alongside interventions to support schools, signing and messaging and communication. Of this award £0.782m has been received and will be spent in full in 2020/21 with the possibility that this figure will increase depending of the timing of the remaining grant receipts.

### **Safer Roads Scheme**

The process was held up by the Government lockdown and the subsequent delays mean that this tender process will not now be completed until quarter 3 at the earliest and is at risk of finding suitable contractors, -£0.513m is now forecast to slip into 2021/22.

### **Road safety**

Progress on a number of schemes have been reviewed, lowering the forecast to £0.484m with forecast underspends of -£0.065m. As demand for temporary changes has increased there may be a risk that resources in both demand and operational functions may not have the capacity to complete this planned work.

### **EBARM**

Four of the 'Evidence Based Accident Reduction Measures' projects have currently been placed on hold reducing the forecast to £0.039m. The remaining work, all from previous slipped delivery includes Signing and Lining enhancements at various sites and completion of safety work on Chain Lane, Staining.

### **Skelmersdale Rail Link**

Initial studies have been completed and Network Rail have completed a higher level design, costing and impact assessments. The final costs of these investigations have been completed causing additional delivery of £0.700m from previous slippage. In addition the purchase of the Skelmersdale College has been completed and a budget of £1.967m has been established for Demolition of Newcastle Colleges Group buildings and its sports facility, though -£1.042m of this has slipped into 2021/22 with work forecast to finish June 2021.

### **East Lancs Strategic Cycleway**

Work had been put on hold due to resources being directed elsewhere but has since restarted in June. Delays that affected larger sections of the programme have been overcome and Hud Hey Road and Hill End Lane are forecast to be completed. The quarter one delay is expected to push some of the work into early 2021/22 causing slipped delivery of -£0.821m. With specialised surfacing approved for some projects, supply chain issues may create a risk to completion.

### **Public Rights of Way**

Projects that had previously slipped at the Capitol Centre and FP31 Lancaster are both expected to be completed early in this financial year and are now forecast to create additional delivery of £0.163m.

### **NPIF**

The remaining unallocated budget of the NPIF has been utilised to pay for the Transforming Cities Work and of the residual funding a delivery budget of £1.319m has been agreed. This reflects the 6 outstanding projects with the majority of the work expected on the larger North Valley Way and Riversway Corridor but in line with the current actuals and anticipated further delays it is forecast that -£1.000m of the work will slip to 2021/22.

### **Keeping Traffic Moving**

The Refurbishment of Ormskirk bus station, has seen delays and although it has now passed to the design stage it is not anticipated that work will begin prior to 2021/22. It is forecast however that the Smart bus ticket machine procurement will spend the

remaining £0.063m as contactless machines become a priority. Electronic Information displays at Chorley and Nelson have been delayed over a dispute over the ownership of the sites and as a result of this -£0.030m is now forecast to be slipped delivery.

### **Cycling schemes**

Larger projects at Golden Hill Way and Ribbleson Avenue Quiet Way bypass have been affected by Covid related delays and slipped delivery of -£0.384m is forecast, again resourcing issues for different priorities may affect the current plan.

### **Burnley Pendle Growth Corridor**

It has been forecast that eight of the remaining projects will be worked on in this financial year. The agreements with partner Councils have been signed and invoices for appropriate funding have now been issued. The updated forecast shows the work to be finalised by March 2021 and may therefore be at risk of any further lockdown restrictions.

### **Burnley Town Centre Improvements**

As works on the Pioneer Place project will only be undertaken on completion of the work on the Lower St James Street project, the full £1.000m forecast spend for Pioneer Place has now been forecast to slip into 2020/21 as Lower St James is now forecasting -£0.333m of works slipping to 2021/22.

### **Externally Funded Schemes**

**The Externally Funded schemes capital programme has a 2020/21 delivery plan of £9.825m. The delivery plan has 21 schemes that will be worked on this year. The current forecast outturn is £9.748m, a variance of -£0.077m.**

The largest scheme within the delivery plan is UCLan Masterplan, which is forecasted to be £5.500m of the overall block. There has been in year spend of £2.899m and it is expected to be completed this financial year.

There is a potential overspend variance of £0.102m. This is notably on the Skippool Road, Skippool (£0.082m) and Bispham Road, Thornton Cleveleys (£0.017m) schemes, both funded by Highways England. To cover the overspend on these projects, approval is being sought from the relevant Head of Service to utilise funding from an additional Department for Transport grant, currently included within the Highways Capital Programme.

There is forecast additional delivery of £0.011m from the S278 Bowland View, Great Eccleston scheme in which designs have now been handed over to the developer for review.

There is slippage of -£0.190m across 2 schemes, notably S278 Padiham THI which is expected to have slippage of -£0.180m due to work continuing into 2021/22. Works to

improve the footpath at Bristol Avenue Farrington are now anticipated to start in October 2021 causing slippage of -£0.010m.

There are risks associated with the Whalley King Street Zebra Crossing and Footways and Whalley Town Centre Footway and Bus Stop Improvement schemes, which are currently delayed due to a hold on formal advertising from Legal following lockdown. The main works on these projects are due to commence in January 2021. Whilst the delay is currently not expected to push expenditure in to 2021/22, it is currently unclear as to how long the delay will continue for.

## **Waste and Others**

Due to the minimal number of projects within the block it has been agreed that the block will be disbanded and the ongoing projects reported in other blocks within the Capital programme.

## **Adult Social Care**

**The Adult Social Care (ACS) capital programme has a 2020/21 delivery plan of £16.988m. The delivery plan has 8 schemes that will be worked on this year. The current forecast outturn is £16.766m, a variance of -£0.222m.**

The Disabled Facilities Grant money (£14.731m), which makes up the majority of the delivery plan, has now been fully passported to district councils.

The Extra Care Grant was separated out into 3 projects covering Preston, Chorley and Fleetwood. The Scheme at Chorley has previously been completed and it is forecast the this year will see the completion of the Preston project, an enhanced sheltered housing project of 60 flats which will see a contribution of £0.540m paid in 2020/21 slightly lower than the delivery budget of £0.550m.

For the Libraries ICT project it is now anticipated that the remainder of this budget will be used in 2020/21 with actuals of £0.567m already incurred. Further disputes in the delay chain or compatibility issues with the new software are potential causes of concern. The on-going Liquid Logic improvements for the 'Lancashire Person Record Exchange Service' has a forecast variance of -£0.162m due to costs now expected to slip into 2021/22.

A project to improve the capacity of the Burnley Adults Short Breaks Unit to meet the increasing demand for the service has been agreed with a budget of £0.250m forecast to be fully utilised with completion in March 2021. This project is currently at the detailed design stage but possibly at most risk within the block as it will require work to be completed on site and could therefore be affected by any further lockdown instructions.

## Corporate

**The Corporate capital programme has a 2020/21 delivery plan of £27.653m. The delivery plan has 169 schemes that will be worked on this year. The current forecast outturn is £17.159m, a variance of -£10.494m.**

There is forecast slippage of -£1.100m on the Enterprise Zone Groundworks project, this is a prudent forecast based on year to date spend but if work picks up in the next couple of months then there's the possibility the delivery plan figure of £4.100m could be achieved this financial year.

The Eden North project has been added and is forecast to create £0.500m of additional delivery in 2020/21. Further spend will be incurred in future years but the full scheme budget has yet to be finalised.

Within the Central systems and ICT programme there is an underspend on the ISSIS replacement scheme of -£0.161m. The Oracle Cloud System project has forecast slippage of -£5.000m as design work is now all that is expected to be delivered this financial year although the implementation timeline remains unchanged. Further work on the upgrade/replacement of the electronic and document records management systems and the improvement to council chamber webcasting are still on target for completion in 2020/21 and have not been slowed by social distancing, although compatibility issues with current ICT systems poses potential risks.

The budget for the programme of Building Condition has been set at £4.518m with 73 active projects. It has been agreed that due to the current Covid restrictions, six of the current projects have been put on hold with delivery likely in 2021/22, the total slipped delivery caused by these projects is -£0.498m but a further -£2.247m in slipped delivery across the other projects due to Covid access issues and supply chain problems, brings the total forecasted slipped delivery to -£2.745m.

Works to operational premises has a delivery budget for the year of £2.237m over 30 active projects. Nine projects have now been completed and have resulted in underspends of -£0.182m but operational delays across the programme have caused forecast slipped delivery of -£1.069m. There has been some work on projects that were not in the delivery plan and £0.036m of additional delivery from previously slipped budget has been incurred, including re-roofing Chorley Interchange (£0.024m) which is now complete. These projects plus those in building condition work and White Cross are at a higher risk of disruption caused by social distancing or self-isolation issues due to the being based on site.

Work at White Cross Mill 14 is near completion and currently forecasting an underspend of -£0.046m.

The remaining projects in the service challenge programme are the replacement parking services computer system which has its 2020/21 funding of £0.320m included as the delivery budget and remains on target. However Highways charges for extra

work at County Hall and Arthur Street car park has added £0.026m of additional delivery.

A payment to BT for the superfast broadband programme has seen additional delivery on the project of £0.412m.

## **Vehicles**

**The Vehicles capital programme has a 2020/21 delivery plan of £4.924m. The delivery plan has over 20 vehicles to be delivered this year. The current forecast outturn is £3.924m, a variance of -£1.000m.**

The most significant items being procured this year include 9 salt spreading vehicles, 3 mobile libraries, 15 travel care minibuses, 3 excavators and ancillary equipment for Waste and 2 tailored vehicles and a trailer for trading standards. This is in addition to a number of vans and other specialised vehicles for Highways and other services.

To date a wheeled paving machine for Highways and 14 of the travel care minibuses have been delivered at a cost of £1.250m. The current forecast of £3.924m is based on current committed orders however this could increase once tenders/specifications that are currently being worked on are finalised and delivery timescales known.

There is currently a delay of 2 to 3 months on some orders and the potential for further lockdowns due to Covid means there is a risk of vehicles not being delivered before the end of the year. The salt spreading vehicles are unlikely to be in service before the start of 2021.

## **Transforming Cities Fund (TCF)**

**The TCF capital programme has a 2020/21 delivery plan of £3.936m. The delivery plan has 3 schemes that will be worked on this year. The current forecast outturn is £1.200m, a variance of -£2.736m**

Lancashire County Council had their revised proposal for TCF investment in the Preston city region approved late on in June 2020. Work is currently underway and it is expected that £1.200m of grant funded elements of delivery scheduled for 2020/21 will be completed this financial year, causing a slipped delivery variance of -£2.736m.