

**CORPORATE CAPITAL BUDGET
MONITORING REPORT 2019/20
QUARTER 3**

(year to 31st December 2019)

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1. Executive Summary

1.1. Cabinet approved a revised Quarter 2 Capital Programme of £ 3,547.420m at its meeting on 29 October 2019.

2. New Resources / (Reductions)

2.1. Net resources totalling £170.491m have been removed during Quarter 3 resulting in a revised Capital Programme of £3,376.929m. This is set out in Table 1 below with further details available in Appendix B2 and B3.

Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Quarter 2 Approved Budget	641.178	613.842	435.925	1,856.474	3,547.420
Budget Changes - New Resources / (Reductions)	(4.920)	(22.546)	(20.600)	(122.425)	(170.491)
Budget Changes - Rephasing Approved by Cabinet	(0.100)	0.100	0.000	0.000	0.000
Budget Quarter 3	636.158	591.396	415.325	1,734.049	3,376.929

3. Forecast Variations, Risks & Issues

3.1. At Quarter 3 net slippage of £134.687m has been identified together with a net £1.029m overspend against the 2019/20 current year budget. A net overspend of £57.125m is forecast against the overall Capital Programme resulting in a forecast outturn of £3,434.054m. This is set out in Tables 2, 3 and 4 below with further details available in Appendix B4 and B5.

Expenditure	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Budget Quarter 3	636.158	591.396	415.325	1,734.049	3,376.929
Forecast Slippage Quarter 3	(134.687)	95.059	21.463	18.165	(0.000)
Forecast Overspend / (Underspend) Quarter 3	1.029	(1.403)	9.910	47.590	57.125
Forecast Outturn at Quarter 3	502.500	685.052	446.697	1,799.804	3,434.054

4. Forecast slippage

4.1. A thorough review of the annual phasing of the approved capital programme has taken place at Quarter 3. This has identified a more realistic profile of capital expenditure resulting in overall slippage out of 2019/20 of £134.7m into later years. The revised profile has been used as the basis for profiling the capital budgets in the Financial Plan 2020+ (elsewhere on Cabinet's agenda).

4.2.

Table 3 - Forecast Net Slippage by Directorate

Directorate	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	Later Years (£m)	Total Net Slippage (£m)
Finance & Governance	(1.909)	(11.671)	0.500	13.080	0.000
Digital & Customer Services	(6.363)	1.532	4.831	0.000	0.000
Assistant Chief Executive	0.000	0.000	0.000	0.000	0.000
Neighbourhoods	(31.877)	19.333	3.303	9.241	0.000
Commonwealth Games 2022	(4.025)	8.093	(4.068)	0.000	0.000
Inclusive Growth	(84.535)	75.673	16.859	(7.996)	0.000
Education & Skills	(8.285)	4.407	0.037	3.841	0.000
Adults Social Care	2.308	(2.308)	0.000	0.000	0.000
Total	(134.687)	95.059	21.463	18.166	0.000

4.3. Finance & Governance Directorate

The Directorate is currently reporting net slippage of £1.909m in 2019/20. This primarily relates to acceleration of resources required to fund the revised redundancy and Pension Fund Strain costs (£11.407m) and slippage associated with the Gateway/Grands Central Residual Costs programme (£12.600m) as a result of prolonged negotiations between the relevant third parties.

4.4. Digital & Customer Services Directorate

The Directorate is currently reporting slippage of £6.363m in 2019/20. This is due to delays in obtaining amendments to the final design and procurement of Data Centre and Cloud Storage provision schemes within the Application Platform Modernisation Programme.

4.5. Neighbourhoods Directorate

The Directorate is currently reporting net slippage of £31.877m in 2019/20. This primarily relates to delays in seeking alternative fuels for waste vehicles in order to comply with the Clean Air Policy (CAP) (£8.800m), delays in purchasing CAP compliant Parks grounds maintenance vehicles (£9.400m), slippage in the HRA Redevelopment programme (£9.289m) due to delays in achieving planning and tendering approvals at various locations and delays in making a loan to Performance Birmingham Ltd as they look to secure alternative sources of funding (£3.000m).

4.6. Commonwealth Games 2022

The Directorate is currently reporting net slippage of £4.025m in 2019/20. This relates to acceleration of works associated with the Alexander Stadium (£2.189m) and slippage in the Organising Committee programme (£6.214m).

4.7. Inclusive Growth Directorate

The Directorate is currently reporting net slippage of £84.535m in 2019/20. This primarily relates to the following;

- Slippage associated with various Enterprise Zone development programmes totalling £12.665m, the most significant being Paradise Circus (£8.765m).
- Slippage across various Transport Connectivity programmes totalling £68.066m, the most significant being the Clean Air Zone programme where £37.958m has been slipped due to delays in developing the infrastructure required to deliver the programme and the Clean Air Hydrogen Bus programme where £7.596m has been slipped as a result of the manufacturer going into administration.

4.8. Education & Skills Directorate

The Directorate is currently reporting net slippage of £8.285m in 2019/20. This primarily relates to delays in providing school Asbestos Management Surveys (£1.000m), school academisation (£0.900m) and delays in relocating Skills School (£5.000m).

4.9. Adults Social Care Directorate

The Directorate is currently reporting net acceleration of £2.308m in 2019/20. This primarily relates to an additional requirement for £3.000m to address a progression of backlog cases from 2018/19 which were held up due to a legal challenge. In addition there has been an increase in the number of referrals resulting in higher expenditure than previously expected.

5. Forecast overspends and underspends

5.1.

Table 4 - Forecast Variations by Directorate

Directorate	Total Capital Programme (£m)	Forecast Outturn - Qtr 3 (£m)	Forecast Variation - Qtr 3 (£m)	Forecast Variation - Qtr 2 (£m)	Forecast Variation Change (£m)
Finance & Governance	82.203	81.728	(0.475)	(1.202)	0.727
Digital & Customer Services	20.885	20.885	0.000	0.000	0.000
Assistant Chief Executive	0.750	0.750	0.000	0.000	0.000
Neighbourhoods	1,203.520	1,268.723	65.203	49.944	15.259
Commonwealth Games 2022	610.637	610.637	0.000	0.000	0.000
Inclusive Growth	1,279.469	1,271.729	(7.741)	(185.843)	178.103
Education & Skills	155.306	155.443	0.137	0.000	0.137
Adults Social Care	24.158	24.158	0.000	0.000	0.000
Total	3,376.928	3,434.053	57.125	(137.101)	194.226

5.2. Finance & Governance Directorate

The Directorate is currently reporting a net forecast underspend of £0.475m. This relates to an allocation from the Capital Contingency to fund £400k of safety works at the Wholesale Markets and £0.075m for A38 tunnel waterproofing works.

There are currently no major risks or issues.

5.3. Neighbourhoods Directorate

The Directorate is currently reporting a net forecast overspend of £65.203m. This primarily relates to a forecast increase of £64.065m against the current Housing Revenue Account (HRA) new build programme (see Appendix B5, N3, N4 and N5). The forecast variance increase of £15.259m primarily relates to additional resources identified within the revised HRA Business Plan which will be reallocated on a priority basis in due course (£16.198m).

Major Risks and issues include the following;

- A financial risk of approximately £28.000m has been identified to address measures recommended from the Hackett Review as Fire Precautions for High Rise Blocks. The proposed programme anticipates that £14.000m is required for the current year with the balance to be spent in future years. This will need to be contained within HRA financial resources.
- There is financial risk to HRA Adaptations due to a significant backlog of adult referral cases. Both Neighbourhoods and Adults Social Care are working together to address the operation and financial issues through a comprehensive implementation plan alongside a financial mitigation plan.

5.4. Inclusive Growth Directorate

The Directorate is currently reporting a net forecast underspend of £7.741m. This primarily relates to a £9.923m reduction in Enterprise Zone capitalised interest charges following a review of the timing of the programme (see Appendix B5, IG4).

The forecast underspend position has changed significantly since Quarter 2 as a result of the £173.450m budget for loan and share investment in InReach (part of which was to fund the purchase by InReach of vacant Council properties for private rental sector housing) being removed as the scheme is no longer deemed to be viable.

Risks and issues include the following;

- The Hydrogen Bus manufacturer went into administration in September, the sale of the company to the new buyer is pending the final legal arrangements of the transaction. TfL need to formally confirm whether novation is taking place or whether the framework is to be re-tendered. In addition, the Bus Consortium (of which BCC is a part) also need to then confirm that the EU funder will continue to provide funding given the date of the bus orders will have over-run from set deadline of 30th Nov 2019. Other funders who include OLEV and GBSLEP have confirmed that their funding remains in place, but will need to be updated with the agreed timeline. All of the milestones need to be achieved by the end of December to ensure the forecasted expenditure (£3.4m) for 2019-20 is achieved.

6 Funding of planned investments in InReach

- 6.1 Cabinet on 18 October 2016 agreed to make loan investments in InReach, its wholly owned housing company, to fund housing development on four sites including the Brasshouse and in Key Hill. These investment proposals are being finalised, and it is now proposed that up to 20% of the investment should be made by way of shares in InReach rather than loans, in order to maintain a commercially balanced financial structure for the company.