

**CORPORATE CAPITAL BUDGET
MONITORING REPORT 2019/20
MONTH 10**

(year to 31st January 2020)

Appendix B

Section

- 1. Executive Summary**
- 2. New Resources / (Reductions)**
- 3. Forecast Variations, Risks & Issues**
- 4. Forecast Slippage**
- 5. Forecast overspends and underspends**
- 6. Funding of planned investments in InReach**

Appendices

- B1. Capital Monitoring Summary**
- B2. Capital Budget Movements**
- B3. Capital Budget Movements Commentary**
- B4. Capital Forecast Variations**
- B5. Capital Forecast Variations Commentary**
- B6. Commentary on Risks and Issues**

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 £124.019m have added during Month 10 resulting in a revised Capital Programme of £3,500.948m. This is set out in Table 1 below with further details available in Appendix B2 and B3.

Table 1 – New Resources / (Reductions)

<u>Expenditure</u>	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Month 9 Approved Budget	636.158	591.396	415.325	1,734.049	3,376.929
Budget Changes - New Resources / (Reductions)	0.000	29.529	33.877	60.613	124.019
Budget Changes - Rephasing Approved by Cabinet	0.000	0.000	0.000	0.000	0.000
Budget Month 10	636.158	620.925	449.202	1,794.662	3,500.948

3. Forecast Variations, Risks & Issues

3.1. At Month 10 net slippage of £134.358m has been identified together with a net £0.690m overspend against the 2019/20 current year budget. A net overspend of £59.655m is forecast against the overall Capital Programme resulting in a forecast outturn of £3,560.603m. This is set out in Tables 2, 3 and 4 below with further details available in Appendix B4 and B5.

Table 2 – Forecast Variations Summary

<u>Expenditure</u>	2019/20 £m	2020/21 £m	2021/22 £m	Later Years £m	Total Plan £m
Forecast Slippage Month 10	(134.358)	93.419	22.174	18.765	(0.000)
Forecast Overspend / (Underspend) Month 10	0.690	(4.253)	10.528	52.690	59.655
Forecast Outturn at Month 10	502.490	710.091	481.904	1,866.118	3,560.603

4. Forecast slippage

4.1. A thorough review of the annual phasing of the approved capital programme has taken place at Month 10. This has identified a more realistic profile of capital expenditure resulting in overall slippage out of 2019/20 of £134.358m 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	(84.206)	74.033	17.570	(7.396)	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	(134.358)	93.419	22.174	18.766	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 £84.206m 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 Skilts 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 - Month 10 (£m)	Forecast Variation - Month 10 (£m)	Forecast Variation - Month 9 (£m)	Forecast Variation Change (£m)
Finance & Governance	148.574	148.099	(0.475)	(0.475)	0.000
Digital & Customer Services	21.856	21.856	0.000	0.000	0.000
Assistant Chief Executive	1.000	1.000	0.000	0.000	0.000
Neighbourhoods	1,231.530	1,296.733	65.203	65.203	0.000
Commonwealth Games 2022	610.637	610.637	0.000	0.000	0.000
Inclusive Growth	1,300.337	1,295.126	(5.211)	(7.741)	2.530
Education & Skills	162.856	162.993	0.137	0.137	0.000
Adults Social Care	24.158	24.158	0.000	0.000	0.000
Total	3,500.948	3,560.602	59.655	57.125	2.530

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).

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 £5.211m. 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) and a forecast overspend of £3.111m against the Transportation and Highways Programme, a result of adjusting the programme to reflect the revised Transportation and Highways Capital Programme 2020-21 to 2025-26.

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 for 2019-20 is achieved.

5.5. Education & Skills Directorate

The Directorate are currently reporting a minor net overspend of £0.137m.

Some schools have/are in the process of converting to Academies but have significant deficits that are required to be funded by the local authority. A funding switch utilising capital resources has been identified to fund known costs, but any further increases would in the first instance be a revenue pressure.

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.