

Committee: **Executive Committee**

Date of meeting: **14th April 2020**

Report Subject: **Capital Budget Monitoring, Forecast for 2020/2021 Financial Year (As at 31 December 2020)**

Portfolio Holder: **Cllr Daniels, Leader / Executive Member Corporate Services**

Report Submitted by: **Rhian Hayden, Chief Officer Resources**

Reporting Pathway								
Directorate Management Team	Corporate Leadership Team	Portfolio Holder / Chair	Audit Committee	Democratic Services Committee	Scrutiny Committee	Executive Committee	Council	Other (please state)
x	18/02/2021	23.03.21			15/03/2021	14/04/2021		

1. Purpose of the Report

- 1.1 To provide members with an overview of each Portfolio's actual and forecast capital expenditure against funding approvals for the 2020/2021 financial year, as at 31st December 2020.

2. Scope and Background

- 2.1 This report provides details on the following:

- Forecast financial position to 31st March 2021 across all portfolios
- Details of any significant adverse and/or favourable variances

- 2.2 This report forms part of the quarterly financial reporting framework to Members.

3. Options for Recommendation

3.1 Option 1 (Recommended Option)

Members of the Executive Committee accept the report and

- Provide appropriate challenge to the financial outcomes in the report.
- Continue to support appropriate financial control procedures agreed by Council.
- To note the budgetary control and monitoring procedures in place within the Capital Team, to safeguard Authority funding.

3.2 Option 2

Do not accept the report.

4. Evidence of how does this topic supports the achievement of the Corporate Plan / Statutory Responsibilities / Blaenau Gwent Well-being Plan

- 4.1 This report supports the Forward Looking Corporate Plan 2020/22 as it ensures effective forward financial planning arrangements are in place to support the Council's financial resilience. This is a key element to achieving "An ambitious and innovative council delivering the quality services we know matter to our communities"

5. Implications Against Each Option

5.1 *Impact on Budget (short and long term impact)*

5.1.1 The overall financial position as forecast at 31st December 2020 indicates an adverse variance of £438,805 against a total in year capital budget of £21.24m.

The overall position across all Portfolios is shown below: -

Total Approvals Q3 (Dec 2020)	Future funding	In year funding	Actual Expenditure to 31/12/2020 (Month 9)	Forecast Expenditure 2020/2021	Forecast Variance underspent / (overspent)
£000	£000	£000	£000	£000	£000
65,205	44,969	21,236	11,715	21,675	(439)

5.1.2 Despite the Covid-19 Pandemic actual expenditure to December 2020 of £11.7m is £3.7m higher, compared to Quarter three in financial year 2019/2020. It is expected that Capital Expenditure will largely be unaffected by the Lockdown restrictions however this report has identified significant overspends on the following projects:

- **Household Waste recycling Centre - £204,095**
The overspend relates to increased costs due to the Covid-19 pandemic & future proofing of the site. Discussions are ongoing with WRAP Cymru & Welsh Government regarding funding the additional expenditure
- **Lime Avenue Business Park - £234,710**
The latest anticipated final account advises of a loss & expenses claim for items in relation to unforeseen issues caused by Covid-19 pandemic. Officers are in dialogue with Welsh Government & WEFO project officials to pursue additional funding to mitigate the overspend.

5.1.3 Discussions are ongoing with funding bodies and requests for further funding are being pursued. Discussions are currently positive, therefore, it is not proposed that funding for these schemes be built in from the Capital contingency fund at this stage. Capital Expenditure is estimated to reach £21.675 by 31st March 2021. This has been revised down since the Quarter two report, with a number of projects such as Regain 2 (£3.8m) and both TRI – Urban Centre projects (£240k), forecasting a reduced level of spend in this financial year. The unused funding for these projects will be carried forward into 2021/22.

- 5.1.4 Welsh Government have confirmed financial support for costs incurred as a result of flood damage during March 2020. As a result, the quarter two forecast over-spend of £24,000 in relation to Flood Recovery Works is now expected to be mitigated.
- 5.1.5 Additionally, the Council's own resources will not be required for the repair works on Aberbeeg Road, therefore it is proposed that the £405k allocation be reinstated to the Big Arch project as agreed by Council on 23rd July 2020.

5.2 Risk including Mitigating Actions

- 5.2.1 Expenditure against external funding approvals needs to be maximised in order to avoid loss of funding. If significant delays in capital expenditure are anticipated or contract costs rise due to the impact of Covid-19, liaison with funding bodies will be required at the earliest opportunity in order to secure approval for funding re-profile.
- 5.2.2 If funding re-profile cannot be agreed and capital schemes are not kept within budget, then capital reserves may be committed beyond affordable levels, with the consequence that projects that have not yet commenced may be deferred or not undertaken, so impacting upon future Capital Programmes.
- 5.2.3 If capital schemes do not achieve the required level of expenditure within the correct financial year and further peaks of the Covid-19 pandemic results in projects facing significant delay, funding may be lost to the Authority and be detrimental to the Authority's chances of securing future funding.
- 5.2.4 The aforementioned risks are mitigated as far as possible through close working relationship with Budget Holders, Technical Services and external funding bodies such as Welsh Government. This ensures that where possible, funding is maximised or funding amendments are secured should the need arise
- 5.2.5 Where overall funding approvals are likely to be exceeded and additional compensatory funding sources cannot be identified, budget holders will initially report the consequences to the Corporate Leadership Team, including proposals to defer/delete other approved schemes.
- 5.2.6 There is a potential risk of increase in Constructions costs & services following the ongoing situation regarding the UK's Exit from the European Union.
- 5.2.7 The UK's Exit from the EU has been added as an organisational risk to the corporate risk register, whilst a separate, more detailed high level action plan has been developed and is being monitored by the Core Planning Group.

5.3 Legal N/A

5.4 Human Resources N/A

6. **Supporting Evidence**

6.1 ***Performance Information and Data***

6.1.2 The Capital programme is attached at Appendix 1.

6.1.3 Appendix 2 provides information of funding changes since the second quarter report.

6.2 ***Expected outcome for the public***

6.2.1 The report details the financial implications for the Council in providing capital investment for the communities of Blaenau Gwent.

All forecast overspends and underspends are managed in order that secured funding approvals are not lost and to mitigate any potential adverse impact upon future Capital investment in Blaenau Gwent.

6.3 ***Involvement (consultation, engagement, participation)***

The Capital Programme is developed to support the Council's strategic priorities and is considered and agreed by full Council. Corporate Overview Scrutiny and Executive Committees consider the budget monitoring reports on a quarterly basis and provide challenge as appropriate.

Corporate Leadership Team has considered the Quarter Three position and accepted the report

6.4 ***Thinking for the Long term (forward planning)***

It is essential that all forecast overspends and underspends are managed in order that secured funding approvals are not lost and to mitigate any potential adverse impact upon the future capital programme.

6.5 ***Preventative focus***

The Capital Services Team will continue their close working relationship with budget holders and external funding bodies to ensure that funding is maximised or funding amendments are secured in future financial years.

6.6 ***Collaboration / partnership working***

The Capital Services Team works closely with budget holders in producing the financial forecast and with external funding bodies to ensure that where possible funding is maximised or funding amendments are secured should the need arise.

6.7 ***Integration (across service areas)***

N/A

6.8 ***EqlA (screening and identifying if full impact assessment is needed)***

N/A

7. **Monitoring Arrangements**

- 7.1 Financial reporting to the Joint Budget Scrutiny Committee and the Executive Committee is carried out on a quarterly basis. Where projects are reporting significant cost pressures, there is a requirement for Budget Holders to ensure that where possible funding is maximised or funding amendments are secured should the need arise.

Background Documents /Electronic Links

Appendix 1

Appendix 2