

Terms of Reference

Audit Committee Capital Budget Deep Dive

Introduction

Over the past 2-3 years, the Audit Committee has been receiving enhanced reports on the Council's performance management, including extracts from OFP in relation to the Capital Programme. These have shown that consistently the profiling of the capital budget by the service spending departments has often required significant adjustments throughout the financial year as schemes evolve. This has led the Committee to express concern regarding the accuracy of the forecasts that underlie the capital programme and support the Finance function in the overall management of capital resources at a time when our ambition in relation to capital expenditure is growing.

At the same time, the Committee has consistently received the usual Treasury Management reports that have indicated the increasing need and likelihood for further borrowing in order to support the delivery of the capital programme going forward, particularly in respect of the regeneration and mixed-use schemes where upfront borrowing is required ahead of the sale of built units. The proceeds from the sale of units are then to be used to repay the borrowing required.

In relation to the Treasury Management reporting arrangements the Audit Committee has consistently received very comprehensive and transparent reports and the Committee has undertaken training.

Officers have consistently stated that they are very much alive to the fact that the forecast profiling of expenditure in the capital programme could lead to suboptimal decisions in respect of related borrowing requirements, particularly regarding the timing and amount of any external borrowing required at any one time.

Purpose of Deep Dive

As set out above, there is concern that the forecasting of capital expenditure by service departments each year and the profiling of the budgets across financial years is inaccurate and that this might lead to suboptimal decisions both in respect of financing of the programme and in terms of which schemes are prioritised for resource approval each year.

The deep dive will consider:

1. How best practice is applied to the development and forecasts for the programme
2. Budget monitoring process of the programme

3. An understanding of the process at Departmental level for capital monitoring and programming.

Participants/Contributors

There will be a variety of contributors to the work underlying the deep dive, as follows:

- Director, Financial Management - corporate responsibility for management of overall programme
- Accountancy/Chief Accountant - Corporate responsibility for development and financing of programme and then subsequent monitoring
- Cllr Rebecca Rennison - Finance Lead Cabinet Member
- David Padfield/Chris Trowell/Simon Theobald - Housing Planned Maintenance / Estate Regeneration
- Andy Cunningham/Aled Richards - Highways/Public Realm
- Steve Anstee / Jackie Moylan - Education Programme
- Other LA's - relevant best practice

It is intended that service departments will be asked to provide detail of the methods they use to develop costings and profiling of resource required to deliver the programme

Timescales

July	Agree brief and ToR at July Committee meeting
August	Desktop work to provide detailed analysis for consideration at drop in sessions
September	Member drop-in sessions to consider analysis/evidence
October	Findings to October Audit Committee meeting

Background Information

The following provides a brief analysis of how the budget for the 2019/20 capital budget moved during the year from original budget setting to final outturn`

	£m
Opening approved budget February 2019	304.382
Slippage from 2018/19	7.749
1st reprofile to later years	(87.186)
2nd reprofile to later years	(42.440)
New approvals and adjustments during the year	64.054
Final approved budget end March 2020	246.559
2019/20 Final Outturn	230.466
Variance Final Budget vs Outturn	(16.093)