

**Question from Colin Gale – Pewsey Community Area Partnership about
Council Finance and Finance Scrutiny**

Agenda Items 5 – Public Participation

**To Cllr Philip Whitehead, Leader of the Council and Cabinet Member for
Economic Development, MCI and Communications; and
Cllr Pauline Church, Cabinet Member for Finance, Procurement and
Commercial Investment**

PCAP has had concerns for some time about the accuracy and detail of Wiltshire Councils finances as presented and made available to the public and the credibility of the scrutiny that is applied. Recently two specific cases have caught PCAP's eye:

Case 1: The recent announcement that a contract had been placed with Willmott Dixon for £33M for the building of a new SEND school on the Rowde site. The requirement for a new SEND school was initially presented to Cabinet in November 2018 at a cost of £20M. Approval for this proposal was granted by Cabinet but subsequently as a result of considerable outcry by the public the consultation was re-opened and further consideration was given.

In May 2019 the outcome of the further consultation was presented to Cabinet and the report identified a significant variance to the original finance cost of £20M, see below:

Description	Predicted cost		
	Best case	Worst case	Anticipated
Construction work costs			
New build works	£20,526,750	£20, 526,750	£20,526.750
Refurbishing existing school accommodation	£ 1,995,000	£ 1 995,000	£ 1.995.000
External works	£ 1,607,375	£ 1,607,375	£ 1,607,375
Demolition and Asbestos	£ 168,750	£ 168,750	£ 168,750
Construction works sub total	£24,297,875	£24,297.875	£24,297,875
Best case Worst case Anticipated			
Non-works			
Fees	£ 2,413,579	£ 2,413,579	£ 2,413,579

Fixtures Fittings, Equipment including ICT equipment	£ 1,250,000	£ 1,250,000	£ 1,250,000
Non works sub total	£ 2,930,863	£ 2,930,863	£ 2,930,863

Risks (contingency pot)

Statutory External Factors	£0	£ 2,985,000	£ 2,177,500
Non-Statutory External Factors	£0	£ 482,000	£ 294,500
Project Definition	£0	£ 1,625,000	£ 825,000
Design & Technology	£0	£ 1,335,938	£ 848,438
Contractual	£0	£ 3,154,688	£ 2,496,875
Site Conditions	£0	£ 767,813	£ 386,563
Financial and Commercial	£0	£ 28,125	£ 28,125
Contingency sub-total	£0	£ 10,378,563	£ 7,057,000

Risk that could be backed off to contractor £ 2,511,500

Total Forecast Project Cost £27,228,738 £ 37,607,301 £ 31,774,238

Questions 1:

The actual new build cost has risen from £20M to £20,526,750 in 6months?

Response:

The change between November 2018 and May 2019 was based on more detailed feasibility work having been carried out. As the November 2018 report notes “figures have only been estimated at this time...[and] are rough starting estimates for the sake of comparing alternatives. Once proposals are finalised, further work would be needed to identify actual working projections”.

By May 2019 an outline feasibility study had been undertaken which identified a forecast project cost of up to £32,187,972 inclusive of construction costs, fees, equipment and furniture and contingencies.

In a paper taken to Cabinet on 19th November 2019 revised final capital budget costs for this programme of work were agreed and set at £33.194 million to deliver the proposal which it was noted “is an increase on the May estimate figures in light of the more detailed costs now available and the revised needs analysis”. At this stage having incorporated more detailed costs the predicted cost of £20.527 million for the new build works was confirmed.

Question 2:

No explanation is provided for all of the additional construction costs that increases the construction works sub total to £24,297,875?

Response:

The paper taken to Cabinet on 19th November 2019 sets out detail of the additional costs as:

Item	Predicted Cost	Detail
Refurbishment of existing school accommodation	£2.095 million	<p>Refurbishing existing school accommodation to create additional places for September 2020</p> <p>Enhancing Buzzard block for use by children / young people with complex needs</p> <p>Redevelopment of existing buildings including the main house and Orchard block</p>
External works	£1.607 million	Development of outdoor spaces in the new school site which was identified during consultation as being of importance
Demolitions and asbestos	£0.169 million	There are a number of buildings on the Rowdeford site such as temporary classrooms that will require removal as part of the project. As part of the redevelopment of the existing site including the main house and Orchard Block there is also provision for removal and disposal of asbestos that may need to happen during this work.

As set out in the paper taken to Cabinet on 22nd May 2019 the additional costs reflected the revised brief to create space for up to 400 pupils rather than 350.

Question 3:

A 'Non-works' list that includes Fees and Fixtures Fittings, Equipment including ICT equipment has been added. No explanation has been given for these additional costs.

i) The building cost of £20M in November 2018 included the fees so what these additional fees are is any ones guess?

Response:

Fixtures, fittings, and equipment including ICT equipment is the budget set aside to equip a school with the items required to meet the needs of the pupils which are not included in the fabric of the building. This would include things like tables, chairs, whiteboards.

Fees reflects the costs of a construction partner in running the project and includes things like architects, quantity surveyors and construction project management. This element also includes Building Control and Planning Submissions as well as other internal and external fees associated with the project.

ii) The Fixtures Fittings, Equipment etc would have been needed in November 2018 when the £20M was announced so it is not understood why this cost has been presented 6 months later?

Response:

The change between November 2018 and May 2019 was based on more detailed feasibility work having been carried out. As the November 2018 report notes “figures have only been estimated at this time...[and] are rough starting estimates for the sake of comparing alternatives. Once proposals are finalised, further work would be needed to identify actual working projections”.

iii) The Non works sub total of £2,930,863 demonstrates an inability to perform arithmetic adding £2,413,579 + £1,250,000 = £3,663,579 unless there is some other explanation?

Response:

The updated cost table in the Cabinet paper of 19th November sets out costs of £3 million for fees and management, and £1.250 million for fixtures, fittings, and equipment. This has a total of £4.250 million.

Question 4:

A ‘Risks (contingency pot)’ which escalates the original £20M by over 50% has been introduced with unsubstantiated titles and sums of money with no justification.

Response:

Following consultation and further development of costs through more detailed feasibility work, and following DfE guidance around facilities, risks were identified and costs set against them. The risks relate to both common construction project risks, and some that are specific to this site. The key anticipated risks are set out in

the May 2019 report such as heritage risks due to the house at Rowdeford being a listed building and other buildings and structures within the parkland being listed by association. Highways is also highlighted as a risk, and ecology as there are two local wildlife sites adjacent to the boundaries. Risks such as these might require mitigating action to be taken during construction, and accordingly following the feasibility work budget has been set aside to offset these.

Question 5

The contingency sub-totals for some reason are both £1 lower than the correct total?

Response:

The contingency sub-totals are likely to be appearing to be £1 lower because the decimal points of amounts are hidden in this table and this can lead to rounding up or down of totals.

Question 6:

A figure of £2,511,500 has been introduced for 'Risk that could be backed off to contractor' but there is no explanation to show how this has been established and if it relates to any of the risks listed above?

Response:

As the project develops the Council will be working closely with Willmott Dixon to produce a detailed construction risk register and in line with the form of building contract that we will be looking to use (NEC Building Contract), we will be looking to apportion risk to the party that is best placed to manage that risk, i.e. either the Council as client or Willmott Dixon as the main contractor.

Question:

The latest announcement that a contract has been issued to Willmott Dixon for £33M does not directly relate to either the 'Best case', Worst case' or 'Anticipated' scenario's and suggests that all of the risks have been realised with some other costs on top. Please advise how this contract cost relates to the potential costs previously listed and if there are further costs still to be realised?

Response:

In a paper received and discussed by Cabinet on 19th November 2019, the proposals set out in May 2019 were amended following wide consultation. The paper of 19th November 2019 set out a revised commitment of £33.194 million to deliver the proposal which it was noted "is an increase on the May estimate figures in light of the more detailed costs now available and the revised needs analysis". Cabinet agreed that they would include this new capital budget in the Capital Programme 20/21 to go

forward for approval at Full Council in February 2020. It is this amount which is referred to in the latest announcement.

Case 2:

Full Council Meeting – 16th June 2020, Agenda Item 9, Covid-19 Update and Financial Position.

Appendix B: Provisional Earmarked reserves Table as at 31st March 2020 (Page 153) is a spreadsheet, however, the reading of the spreadsheet is a mystery?

Question 1:

Line 1, Insurance Reserve – read across the line to proposed balance and the technical adjustments year end is a positive adjustment to the balance as at 1st April 2019. Line 2, PFI Reserve – read across to the proposed balance year end is a negative technical adjustment to the balance as at 1st April 2019. No explanation is provided as to when a positive or negative technical adjustment is applied, it is pure 'smoke and mirrors'?

Response:

Earmarked Reserves are monies set aside for specific purposes. Depending on activity during the year monies may be drawn down from these reserves or added to these reserves and hence the balance of the reserves either increase or decrease. As is shown in the table and to explain the specific examples you give, the Insurance Reserve increased by £0.072m due to an underspend on the specific insurance related activity in the revenue budget in the year and the PFI Reserve reduced by £0.301m in the year due to additional costs within the ring-fenced PFI related services during the year.

This presentation of these reserves is in line with proper accounting practice and gives more visibility at a more detailed level of the changes in the reserves during the year.

Question 2:

Column 3, In Year Movements- already approved. The 'General Fund Earmarked Reserves Total' of 1.161 does not match the total addition of the column of 2.573 and no explanation is provided?

Response:

The column total is correct. The items in brackets are negative values and need to be deducted as part of the calculation.

Question 3:

The balance as at 1st April 2019 for the 'Dedicated Schools Grant' has '0' but in column 3, In Year Movements already approved 11.336 suddenly appears with no explanation as to where this has been conjured up from? If the balance at 1st April 2019 was '0' how can you move nothing and obtain a positive balance at 31st March 2020.

Response:

A positive value shown in a reserve is a deficit position. This reserve is the level of the ring-fenced deficit, or spend above the level of the funding received from Government. The responsibility for decisions on the DSG lies with Schools Forum, and is therefore shown as already approved as it does not require further approval by Cabinet. This reserve is shown for completeness purposes but does not impact on the Council Tax payer or the Council's ability to provide services.

Question:

Line 4, Revenue Grant/Contribution Reserve – this line does not add up to the proposed balance at 31 March 2020 and the use of () round some of the column figures does not seem to help to arrive by the balance?

Response:

Similar to the response to question 2 the row total is correct. The items in brackets are negative values and need to be deducted as part of the calculation.

Question

In summary this spreadsheet and its interpretation is a mystery which is quite worrying?

Response:

The responses to the previous questions raised clarifies how it should be interpreted and also demonstrates that it is accurately reported.

Summary:

Both case 1 and case 2 above identify significant financial uncertainties which should have been picked up by financial scrutiny before the information is published and supporting explanations should be available so that the public has confidence in how WC operate their financial controls.

Question:

Please provide answers to the individual questions above and advise what role financial scrutiny plays overall prior to the presentation of the financial data?

Response:

All reports are subject to review by senior officers and some Members before publication to ensure they are understandable. We continue to develop the reports that contain financial elements to ensure we make all relevant improvements to allow for the best level of understanding by as many readers as we can but welcome views of further suggestions for improvement.