Somerset County Council

Cabinet
– 27 September 2017

Capital Investment Programme 2017/18 – Quarter 1

Cabinet Member(s): Cllr David Hall – Cabinet Member, Resources and Economic Development
Division and Local Member(s): All
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Report Sign off	**Seen by:**	**Name**	**Date**
	County Solicitor	Honor Clarke	15/09/2017
	Monitoring Officer	Julian Gale	15/09/2017
	Corporate Finance	Lizzie Watkin	15/09/2017
	Human Resources	Chris Squire	15/09/2017
	Senior Manager	Kevin Nacey	15/09/2017
	Cabinet Member	David Hall	15/09/2017
Forward Plan Reference:	FP/17/07/08		
Summary:	This report outlines the Council's Capital Investment Programme position for the first quarter of the 2017/18 financial year. At this stage a small sum of £0.262m is forecast as being required to fund the existing commitment in the programme of £224m.		
Recommendations:	**The Cabinet is recommended to note the contents of this report.**		
Reasons for Recommendations:	To inform members of the financial position for the Capital Investment Programme relating to the financial year 2017/18.		
Links to Priorities and Impact on Service Plans:	The Capital Investment Programme is the means by which the Council provides the assets and infrastructure required to deliver the County Plan.		
Consultations undertaken:	Information and explanations have been sought from service managers on individual aspects of this report and their comments included as appropriate.		
Financial Implications:	The financial implications are dealt with in detail in the body of the report and are in line with expectations.		

Legal Implications:	There are no specific Legal implications arising directly from the report.
HR Implications:	There are no specific HR implications arising directly from the report.
Risk Implications:	Overall the performance in relation to the Capital Investment Programme remains good and services are managing to maintain control over expenditure within the resources available. The key risks remain unchanged, a potential demand for the provision of new schools to meet the basic need for places arising as a result of new residential developments and the ability of the Council to realise capital receipts.
Other Implications (including due regard implications):	Equalities Impact Assessments for projects in the existing programmes were undertaken during the budget setting process and are updated as projects are implemented as necessary.
Scrutiny comments / recommendation (if any):	Not applicable.

1. Background

1.1. This report provides a corporate overview of the financial aspects of the Capital Investment Programme (CIP) for the 2017/18 financial year. In doing this it provides reconciliation with the Outturn position for 2016/17 reported to Cabinet on 14 June 2017 and gives a baseline against which progress during this financial year can be monitored.

2. Options considered and reasons for rejecting them

2.1. Active Approvals 2017/18

2.1.1. The CIP active approvals at the 31 March 2017 were £551.857m. These have been updated to remove those schemes that are now complete resulting in the removal of £79.414m from the total approvals contained within the monitoring process. Some £46.637m of new schemes have been added to the monitoring process as a result of the 2017/18 new Capital Investment Programme starts agreed at County Council in November 2016. Of this sum, £5.800m is expected to be financed from existing debt with the remaining £40.837m coming from government ring fenced and un-ring fenced grants. Since the end of the financial year in March 2017 additions amounting to £69.632m have also been added to the overall level of approvals. Details of the movement in approvals at service level are contained within Appendix A to this report. The baseline Capital Investment Programme for 2017/18 contains net approvals of £588.714m.

2.1.1. There have been a number of virements undertaken during the first quarter, this is normal as services update the information for the new financial year. They have been examined to identify the purpose of the virement and as a result of this it can be noted that they do not require formal ratification by members as they are classed as technical changes. The virements have been undertaken to enable the effective management of generic approvals by creating individual projects as detailed proposals are developed and cost estimates become available. At the latter end of the process as projects are completed, virements are also used to manage the consequential difference between final and estimated costs to enable the generic approvals to be repackaged to deliver further individual projects within the intended objectives.

2.2. Forecast Expenditure

2.2.1 At the end of July 2017 services were forecasting future expenditure of £223.760m over the current and subsequent four financial years. Details of the projected spend are included in Appendix B.

2.2.2. As this is the first report of the financial year it will become the basis on which the movements in predicted spend and outturn for 2017/18 will be measured. Services have continued to work at providing estimates of actual spending that are as realistic as possible in order to create a realistic measure of the changes over time.

2.2.3. Forecasting capital expenditure levels is particularly difficult due to the reliance on contractor activity, the weather and capacity within the Council’s providers to design and support the programme. The actual programme is also only fully developed later in the financial year as individual projects are finalised and specifically programmed from the generic programmes. Clearly it is only at this stage that a realistic estimate of the timing of expenditure can be made.

2.3. Forecasting Net Over or Under Spends

2.3.1. The net over/under spending is calculated using the actual expenditure to date on a project added to the predicted expenditure in future years, the total of these is compared to the recorded approvals. The over or under spend is the difference. Details at service level are including in Appendix C. Current forecasts are that some £588.976m will be required to complete the programme. Of this some £223.759m will be required in the current and future financial years after taking into account the £365.217m incurred prior to 31 March 2017. This is some £0.262m more than the approval currently available (£588.714m).

This is made up of a number of schemes as detailed in Appendix C.

2.3.2. An overview of the Capital Investment Programme indicates that the programme is being managed proactively by services within the resources that they have available. Commitments are not being entered into without an available budget and generic approvals are being managed as costs become more certain and the programme of work adjusted accordingly.

2.4 Other Matters

Capital Receipts

2.4.1. Sales of assets at the end of July 2017 amounted to £1.380m of general property sales. Current estimates are that up to £6.830m might be realised from sales by the end of the financial year. Realising this sum will however depend on circumstances outside the direct control of the County Council including the wider economic outlook and third parties. It could also be compromised if any of the properties are the subject of a Community Asset Transfer application.

Local Enterprise Partnership

2.4.2. For this financial year SCC has also received a further £36.632m from the Local Enterprise Partnership. This has been added to the CIP programme in Quarter 1 of the 2017/18 programme. This is the third instalment following the two previous years amounts received in 2015/16 and 2016/17 towards the Growth Deal Programme to give a total of £195.500m over the life of the programme.

3. Consultations undertaken

3.1. Information and explanations have been sought from services on individual aspects of this report and their comments are included as appropriate.

4. Financial, Legal, HR and Risk Implications

4.1. Risk Implications

4.1.1. **Additional School Places.**
The requirement to build new schools in Somerset to meet the growing basic need for school places remains the key risk within the capital investment programme.

Potential funding for the building of New Schools has been identified through the Education Funding Agency. If a bid is successful then the EFA will fund the full cost of building the school. This potential funding could help relieve some pressure on the capital programme; however if bids are unsuccessful or the need can be met through expansions to existing schools; SCC resources will still need to be identified.

So far, SCC has not received funding for the specific bid relating to St Augustine’s School (£9m).

4.1.2. **Capital Receipts**
Increasingly limited capital resources continues to place further demands on the Council to rationalise its use of assets and develop shared facilities with other public and third sector organisations.

The objective is to maximise asset utilisation and release surplus assets to fund transformation initiatives. This will have the benefit of easing pressure within the revenue budgets.

4.1.3. **Mid-Year Pressures.**
Capital investment and planning decisions are predominantly taken during the MTFP process in setting the annual budget. During this process a view is taken on the level of available resources which allows a minimal reserve to be held for unforeseen in year requirements

If significant in year requirements are identified and the funding cannot be met from existing resources the Council will need to identify alternative sources of funding which could include external borrowing or we will need to revise and reduce the core investment plan. If external borrowing is to be used then it must be noted that there will be an additional charge to the revenue budget.

4.1.4. **Budgetary Control.**
This report indicates that overall the budgetary control of the capital investment programme remains good. There remains a risk that this may be subject to some weakness as capacity is reduced and staff responsibilities change due to the rate of corporate change and switches between funding streams takes place frequently.

5. Other Implications

5.1. Issues such as access, equality and diversity, human rights, community safety, health and well-being, sustainability, information request/data protection issues, organisational learning, partnership and procurement would normally be considered and managed at service, operational and project level.

6. Background papers

6.1. 2016/17 CIP Quarterly Monitoring Reports to Cabinet

Note: For sight of individual background papers please contact the report author.