Somerset County Council

Cabinet

15th November 2017

Capital Investment Programme 2017/18 – Quarter 2

Cabinet Member(s): 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	03/11/2017
	Monitoring Officer	Julian Gale	03/11/2017
	Corporate Finance	Lizzie Watkin	03/11/2017
	Human Resources	Chris Squire	03/11/2017
	Senior Manager	Kevin Nacey	03/11/2017
	Cabinet Member	David Hall	03/11/2017
	Opposition Spokesperson	Simon Coles	03/11/2017
	Relevant Scrutiny Chairman	Tony Lock	03/11/2017
Forward Plan Reference:	FP/17/08/05		
Summary:	This report outlines the Council's Capital Investment Programme position for the second quarter of the 2017/18 financial year.		
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. It highlights movements in the programme since the end of July contained in the first quarter report to Cabinet on 27 September 2017.

2. Options considered and reasons for rejecting them

2.1. Active Approvals 2017/18

2.1.1. CIP active approvals at the end of July 2017 stood at £588.714m. There have been a number of movements between the end of July and the end of September amounting to a net increase in approvals of £7.760m. The majority of this increase is due to additional external funding and the details of the movements can be found in Appendix A.

2.1.2. The resulting programme contains approvals of £596.471m; details at service level are contained in Appendix A. Of this sum £365.217m was spent in prior years leaving £231.254m available to complete the package of projects within the CIP.

2.2. Forecast Expenditure

2.2.1. At the end of September 2017 services were forecasting future expenditure of £231.830m over the current and subsequent four financial years. Details of the projected spend are included in Appendix B.

2.2.2. Services have continued to work at providing estimates of actual spending that are as realistic as possible in order to create a measure of the changes during the financial year. 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, and only at this later stage can a more realistic estimate of the timing of expenditure be made.

2.2.3. The forecast expenditure for the end of September 2017 shows that there has been an increase in the 2017/18 forecast of £3.094m from £117.152m to £120.246m. Appendix C summarises the movements at service level and provides further detail for the projects that have contributed movements of +/- £0.050m to this change. The detailed information excludes movements that are as a consequence of the changes in approvals outlined in Appendix A.

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 included in Appendix D. Current forecasts are that £597.048m will be required to complete the programme. Of this £231.830m 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 £0.577m more than the approval currently available (£596.471m).

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

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 September 2017 amounted to £2.752m of general property sales. Current estimates are that up to £8.000m might be realised from property sales by the end of the financial year. This is an increase of £1.170m from quarter one following a revision of the forecasts. 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 subject of a Community Asset Transfer application.

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. We are bidding for funding to the DfE and through the Housing Infrastructure Fund to provide resource for the capital programme. If we are unsuccessful, we will have to find a source of funding to meet this need.

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. **Capital Fund**
The Capital Fund is formed from Revenue sources of income and has been set aside as a contingency in case the need arises. The benefit of doing this allows the revenue funding to be redirected back to the revenue budget to assist with mitigating pressures seen within services.

4.1.4. **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 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.

4.1.5. **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 & 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. 2017/18 CIP Quarterly Monitoring Reports to Cabinet

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