

Somerset County Council

Cabinet

– 12 September 2018

Capital Investment Programme 2018/19 – Quarter 1 Report

Cabinet Member(s): Mandy Chilcott – Cabinet Member for Resources
Division and Local Member(s): All
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	Seen by:	Name	Date
Report Sign off	County Solicitor	Honor Clarke	03/09/18
	Monitoring Officer	Scott Woolridge	03/09/18
	Corporate Finance	Lizzie Watkin	03/09/18
	Human Resources	Chris Squire	03/09/18
	Senior Manager	Peter Lewis	03/09/18
	Cabinet Member	Mandy Chilcott	03/09/18
	Opposition Spokesperson	Simon Coles	
	Relevant Scrutiny Chairman	Tony Lock	
	Forward Plan Reference:	FP/18/07/09	
Summary:	This report outlines progress against the County Council Capital Investment Programme position for the first quarter of the 2018/19 financial year and shows significant slippage into future years.		
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 2018/19.		
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.		

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:	With slippage within the Capital Investment Programme there could be additional costs associated with delivering services such as additional costs for transporting children to schools and failure to deliver school places as the need occurs may result in cost pressures such as for educational placements. The current slippage does not have any identified impact at this time.
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 2018/19 financial year. In doing this it provides reconciliation with the Outturn position for 2017/18 reported to Cabinet on 11 June 2018 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 2018/19

- 2.1.1 The CIP active approvals at the 31 March were £607.378m. The current Capital Investment Programme for 2018/19 contains net approvals of £676.598m. Details of the movement in approvals, included at service level, are contained within Appendix A to this report.
- 2.1.2 There have been a number of virements undertaken during the first quarter, which is normal as services update the information for the new financial year. They have been examined to identify the purpose of the virement; 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 2018 services were forecasting future expenditure of £207.401m over the current and subsequent four financial years. Details of the projected spend are included in Appendix B.

2.2.2. From previous years planned expenditure and new starts this year, the estimated spend for 2018/19 alone was predicted to be £166.824m. The latest forecast expenditure presented in this report is £121.739m, which implies that £45.085m of the expenditure is now profiled to be spent in future years. Of the £45.085m, some £17.580m relates to schemes managed by the Heart of the Southwest LEP and is outside of SCCs control. The remaining movement in planned expenditure is due to school builds and specific highways schemes.

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. However, it is of concern that there is a large amount of planned expenditure slipping into future years, as that implies that revenue support set aside for those programmes, at the expense of other priorities, is now not required. Further work will be undertaken to understand these variances in more depth.

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 £675.603m will be required to complete the programme. Of this, it was planned that some £207.401m would be required in the current and future financial years after taking into account the £468.202m incurred prior to 31 March 2018. This is some £0.995m less than the approval currently available (£676.598m).

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. However, as commented above, further research is required to understand why schemes have not been delivered in accordance with the planned expenditure profile.

2.4. Other Matters

2.4.1. Capital Receipts

Capital Receipts are the sums received from the sale of assets where the proceeds exceed £0.010m. Net useable receipts up to July 2018 after taking into account the costs of sale amounted to £2.363. Current estimates based on progressed sales indicate £11.474m 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.

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 is the key driver of 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.

In the local government settlement for 2018/19, the Government announced an extension to the greater flexibility for Councils in the use of capital receipts from the sale of non-housing assets over a 3 year period. This flexibility will allow Councils to continue to use these receipts to fund the revenue costs of service reform and transformation. Somerset County Council will take advantage of this flexibility and as a result the 2018/19 receipts are planned to fund £8.711m of revenue transformation and £2.515m of the approved capital programme.

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 it is possible that the Council would need to consider external borrowing to fund the requirements 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.

4.1.4. **Budgetary Control.** This report indicates that there is an overall understanding of budgetary control of the capital investment programme, but that further understanding of the reasons for slipped delivery is required.

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 Report to Cabinet

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