Somerset County Council

Cabinet
– 11 February 2019

Capital Investment Programme 2018/19 – Quarter 3 Report

Cabinet Member(s): Mandy Chilcott – Cabinet Member for Resources
Division and Local Member(s): All
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Report Sign off	**Seen by:**	**Name**	**Date**
	County Solicitor	Honor Clarke	23/01/2019
	Monitoring Officer	Scott Wooldridge	23/01/2019
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	Senior Manager	Peter Lewis	23/01/2019
	Cabinet Member	Mandy Chilcott	23/01/2019
	Opposition Spokesperson	Liz Leyshon	23/01/2019
	Relevant Scrutiny Chairman	Anna Groskop	23/01/2019
Forward Plan Reference:	FP/18/11/08		
Summary:	This report outlines the progress against the County Council's Capital Investment Programme position for the third quarter of the 2018/19 financial year and shows some scheme acceleration compared with the report published at the end of the second quarter.		
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:	In the current financial climate, the need and timing of schemes is being scrutinised. Any slippage within the Capital Investment Programme could incur 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.
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. It highlights movements in the programme since the end of September contained in the second quarter report to Cabinet on 19 November 2018.

2. 2018/19 Capital Programme – movements from the last quarter

2.1. Active Approvals 2018/19

2.1.1. CIP active approvals at the end of September 2018 stood at £782.448m. There have been several movements between the end of September and the end of December amounting to a net decrease in approvals of £62.035m. There was an additional DfT grant announced in the 2018 Budget of £9.980m. This is offset by £72.374m for the removal of completed schemes. This exercise is usually reserved for the start of each financial year. However, following a request made at the previous cabinet meeting, we have undertaken a review of the Capital Programme and removed completed schemes where the full approvals have been utilised. Details of all other minor movements can be found in Appendix A.

2.1.2. The resulting programme contains approvals of £720.413m; details at service level are contained in Appendix A. Of this sum £395.818m was spent in prior years leaving £324.595m available to complete the package of projects within the CIP.

2.2. Forecast Expenditure

2.2.1. At the end of December 2018 services were forecasting future expenditure of £323.896m 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 develop 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. At this stage of the year, the actual programme should be fully developed as individual projects are finalised. The forecasts provided within this report will set the basis for the Council's expected outturn position.

2.2.3. The forecast expenditure for the end of December 2018 shows that there has been an increase in the 2018/19 forecast of £7.545m from £126.388m to £133.933m.

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 £719.714m will be required to complete the programme. Of this £323.896m will be required in the current and future financial years after taking into account the £395.818m incurred prior to 31 March 2018. This is £0.699m less than the approval currently available (£720.413m). This is made up of a number of schemes as detailed in Appendix D. Budgetary Controls are in place and any overspends will be managed as per section 4.1.5. of this report.

2.4 Other Matters

Capital Receipts

2.4.1. Capital Receipts are the sums received from the sale of assets where the proceeds exceed £0.010m.

Net useable receipts up to the end of December 2018 after taking into account the costs of sale amounted to £7.235m. Current estimates based on completed or progressed sales indicate a high level of confidence in achieving a total of £10.772m by the end of the financial year. Realising this sum will however depend on circumstances some of which are outside the direct control of the County Council including the wider economic outlook and third-party engagements. £1.855m of the approved capital programme is funded by capital receipts.

Local Enterprise Partnership

2.4.2. SCC are the accountable body for the Heart of the South West LEP. Within our capital programme we include the LEP approval and forecasted expenditure. This money is solely for the LEP to spend on their projects. Any SCC LEP funded projects are included within the relevant SCC service heading.

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 significant resource for future capital programme requirements.

4.1.2. **Capital Receipts**

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

One of the authority's current objectives is to maximise asset utilisation and release surplus assets to fund transformation initiatives. This has 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. As a result, Somerset County council plan to fund around £9.6m of revenue transformation from 2018/19 receipts. As part of drawing the accounts to a close, there will be a review of business cases and some transformation projects may be funded from revenue instead. To reduce pressure on the availability of capital receipts this review will target a reduction of £1.5m.

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 identified 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 the programme is being actively managed by services. Generic approvals are being managed as costs become more certain and the programme of work adjusted accordingly, allowing for greater certainty in forecasting. Where overspends are predicted, these will be managed within the existing programme approvals to come in on or under budget.

Any decisions regarding movement of approvals will be made with the agreement of Directors and Members where appropriate.

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. 2018/19 CIP Quarterly Monitoring Reports to Cabinet

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