

Somerset County Council

Cabinet

– 25 September 2019

Capital Programme 2019/20 – 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	
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	Cabinet Member	Mandy Chilcott	17.09.19
	Local Members	All	
	Opposition Spokesperson	Cllr Liz Leyshon	16.09.19
	Relevant Scrutiny Chairman	Cllr Anna Groskop for Scrutiny Place	16.09.19
Forward Plan Reference:	FP/19/16/09		
Summary:	<p>This report outlines progress against the County Council Capital Programme position for the first quarter of the 2019/20 financial year.</p> <p>At this stage, an under spend of £1.355m is forecast against the existing approvals of £788.885m.</p>		
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 Programme relating to the financial year 2019/20.		
Links to Priorities			

and Impact on Service Plans:	The Capital 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:	Any slippage within the Programme could lead to costs being incurred 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 Programme for the 2019/20 financial year. In doing this it provides reconciliation with the Outturn position for 2018/19 reported to Cabinet on 12 June 2019 and gives a baseline against which progress during this financial year can be monitored.

This is the first formal report to Cabinet for the current financial year (2019/20) and many projects are in the early stages of design and delivery.

As such future reports will include updated estimates of spend that are as realistic as possible and will track the changes in timing of forecast spend (slippage) as well as the overall impact of forecasts on the Capital Programme (under/overspend).

2. Options considered and reasons for rejecting them

2.1. Active Approvals 2019/20

2.1.1 The Capital Programme active approvals at the 31 March 2019 were £730.433m. The current Capital Programme for 2019/20 contains net approvals of £788.885m. 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 estimated and final 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 2019 services were forecasting future expenditure of £380.677m 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 2019/20 will be measured. Services are continuing 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.

2.2.4 Finance will also be undertaking further work with Services to challenge forecasts in order to provide senior managers and members with

reassurance on the accuracy of forecasts.

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 £787.530m will be required to complete the programme. Of this, it was planned that some £380.677m would be required in the current and future financial years after taking into account the £406.853m incurred prior to 31 March 2018. This is some £1.355m less than the approval currently available (£788.885m).

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

2.3.2. An overview of the Capital 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, there remains a need to fully scrutinise the forecasts received in order to be certain of their accuracy as we head further into the financial year.

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 received up to July 2019, after taking into account the costs of sale, amounted to £0.545m. Current estimates based on progressing sales indicate £7.677m 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.

2.4.2. Contributions (S106/ CIL/ Other)

As part of the move towards reporting a full capital programme, we are in the process of adding the known approvals for all contribution funded schemes. In previous years, contribution approval was only added when the income had been received.

We now intend to have this additional section in the quarterly reports to update members on the position of contributions, to highlight where

funding is not secured and therefore the council is potentially cash flowing/ underwriting until the funding is in place. This will include a new appendix to RAG status contributions, as below:

- Red – Unsecured/ unsigned agreements;
- Amber – Secured/ signed agreements but funding yet to be received;
- Green – Agreement in place and funding received.

Work is underway to collate this information in the right format to enable consistent reporting across the council.

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 a 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 need to assess the impact of this on the schools' sufficiency programme and reassess the overall schemes required to deliver school places. Officers continue to assess different delivery options to meet this need in the most effective and efficient manner.

4.1.2. Early Years Sufficiency

The Childcare Sufficiency Assessment in 2017 and 2018 identifies that there is potentially a shortfall of places for Early Years in certain gap areas in Somerset and predominately in the Summer Terms. There is a low risk to the Council in the areas identified as insufficient. The demographic of the county in regards to rurality vs sustainability and, on the other hand, large suburban areas e.g. Bridgwater and lack of suitable premises creates a unique challenge to commissioners. This is continually monitored by the Early Years and Sufficiency Team who provide a brokerage service for families. The Early Years Team provides information to commissioners and the council. The council responds by providing some capital investment in Early Years to meet any sufficiency needs.

4.1.3. Housing Infrastructure Bid to Homes England

The Council submitted a Housing Infrastructure bid for £93m to Homes England in March 2019. Homes England are currently in the process of reviewing bids, seeking further information where needed, and arranging

some site visits. It is anticipated that any announcement on successful bids will be made towards the end of 2019.

4.1.4. Capital Receipts.

The capital programme has planned expenditure in 2019/20 of £1.977m to be funded by capital receipts (total of £4.864m over the next three years).

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.

During 2019/20, the Council plans to continue to use the flexibility permissible by the Government to fund qualifying revenue costs of service reform and transformation from capital receipts to the value of £2.512m.

Should the authority not achieve the level of receipts anticipated, a review of alternative funding options will be required.

4.1.5. 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.

4.1.6. Budgetary Control.

This report indicates that there is an overall understanding of budgetary control of the capital investment programme, but that further work on the accuracy of some forecasting 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.** 2018/19 Capital Programme Outturn Monitoring Report to Cabinet
2019/20 Capital MTFP Report to Full Council – February 2019.

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