

This Report will be made public on 7 November 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/55**

To: Cabinet
Date: 15 November 2017
Status: Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Councillor Malcolm Dearden, Finance

SUBJECT: UPDATE TO THE GENERAL FUND MEDIUM TERM CAPITAL PROGRAMME AND QUARTER 2 MONITORING 2017/18

SUMMARY: The report provides a projected outturn for the General Fund capital programme in 2017/18, based on expenditure to 30 September 2017, and identifies variances compared to the latest approved budget. The report also seeks full Council's approval to include three new schemes in the General Fund Medium Term Capital Programme previously considered by Cabinet during 2017/18.

REASONS FOR RECOMMENDATIONS:

- a) Cabinet is asked to agree the recommendations set out below because it needs to be kept informed of the General Fund capital programme position and take appropriate action to deal with any variance from the approved budget.
- b) Proposed changes to the Medium Term Capital Programme need to be submitted to full Council for approval.

RECOMMENDATIONS:

1. To receive and note Report C/17/55.
2. To seek full Council's approval to update the General Fund Medium Term Capital Programme for the schemes set out in section 3 to this report.

1. INTRODUCTION AND BACKGROUND

- 1.1 As part of the council's normal budget monitoring process this report updates Cabinet on the latest position for the General Fund capital programme at the 2nd quarter of 2017/18, based on expenditure to 30 September 2017, compared to the latest budget, approved as part of the Medium Term Capital Programme by Full Council on 22 February 2017 (minute 183 refers).
- 1.2 This report also seeks full Council approval to update the General Fund Medium Term Capital Programme for the five year period ending 31 March 2022 to include three new schemes that Cabinet has considered and agreed during 2017/18.
- 1.3 The report also includes the impact any changes to the overall capital programme will have on the financing resources required to fund it.

2. CAPITAL PROGRAMME 2017/18 – PROJECTED OUTTURN

- 2.1 The latest projection for the total cost and funding of the approved General Fund capital programme for 2017/18 is £4,160,000, a reduction of £2,752,000 compared to the latest budget of £6,912,000. Full details are shown in Appendix 1 to this report and the following table summarises the position across the Service Units and also outlines the impact on the capital resources required to fund the programme:

General Fund Programme 2017/18	Latest Budget 2017/18	Quarter 2 Projection 2017/18	Variance
Service Unit	£'000	£'000	£'000
Commercial & Technical Services	3,416	927	(2,489)
Democratic Services & Law	112	112	-
Finance	1,178	1,178	-
Human Resources	11	11	-
Communities	1,163	1,061	(102)
Strategic Development Projects	1,032	871	(161)
Total General Fund Capital Expenditure	6,912	4,160	(2,752)
Capital Funding			
Capital Grants	(2,395)	(1,120)	1,275
External Contributions	(1,007)	(7)	1,000
Capital Receipts	(1,009)	(596)	413
Revenue	(2,501)	(2,345)	156
Borrow	-	(92)	(92)
Total Funding	(6,912)	(4,160)	2,752

- 2.2 The main reasons for the net reduction in the projected outturn for 2017/18 are summarised below:

		£'000
1.	Delay to phases 2 and 3 of the Coronation Parade coastal defence scheme until 2018/19. This is to enable further consideration to be given to find the most suitable technical solution to protect the significant infrastructure of the National Grid's cross-channel power supply cable which comes on shore at this location. This scheme is entirely funded by a grant from The Environment Agency and a contribution from The National Grid	(2,425)
2.	Planned expenditure on the Empty Properties Initiative in 2017/18 is lower than anticipated. Saving planned to be used to extend the initiative into 2018/19	(212)
3.	Reprofiling to 2018/19 of the pre-development and draft planning cost element for the Ship Street, Folkestone scheme	(161)
4.	Reprofiling to 2018/19 for health and safety works to the General Fund property portfolio	(59)
5.	Saving on the cost of Home Safe Loans due to the demand being lower than anticipated	(40)
6.	Increase in spending on Disabled Facilities Grants and Loans being met entirely from the council's allocation from the government's Better Care Fund	150
7.	A small saving on the cost of implementing the Parking Self-Serve System scheme	(5)
	Net reduction	(2,752)

2.3 The projections contained in this report are based on the most accurate information at the current time and every effort is made to ensure the capital programme is delivered on time and in budget. Some capital schemes are more difficult to project accurately in terms of both the timing of expenditure and the final cost. In particular it is difficult to accurately project the timing of expenditure for the Disabled Facilities Grants and Loans and the release of funding to Oportunitas Limited for its housing acquisitions programme.

3. UPDATE TO THE MEDIUM TERM CAPITAL PROGRAMME

3.1 During 2017/18 Cabinet has considered and agreed proposals for the three new General Fund capital schemes listed in the table below:

Item	Cabinet Date	Minute Ref.	Scheme	Value (£)	Funding
1	19/7/17	17	Princes Parade On-Street Parking	60,000	Internal resources
2	19/7/17	25	Otterpool Park Land Acquisition	3,675,000	Prudential Borrowing
3	13/9/17	33	Holiday Lets Development, Coast Drive, Greatstone	1,959,000	Prudential Borrowing
Total value of proposed new schemes				5,694,000	

- 3.2 Budget approval is now required from full Council for these schemes to be added to the Medium Term Capital Programme. The profiling of the expenditure and funding for these schemes is shown in the table below:

Scheme	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Princes Parade Parking On-Street Parking	60	-	-	60
Otterpool Park Land Acquisition	75	600	3,000	3,675
Holiday Lets Development, Coast Drive, Greatstone	222	780	957	1,959
Total	357	1,380	3,957	5,694

- 3.3 The financial implications of the three new schemes have been covered in the original Cabinet reports and, subject to full Council approval, will be incorporated into the current budget process for 2018/19. Specifically, the borrowing implications, including the impact on the Minimum Revenue Provision (MRP), will be reflected in Treasury Management Strategy and Capital Prudential Indicators for 2018/19 to 2020/21, along with a revised position for 2017/18, to be considered by Cabinet and full Council early in 2018 as part of the current budget cycle.

4. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 4.1 One of the key principles underlying the council's Medium Term Financial Strategy is the capital programme is funded from available or realised capital resources. Borrowing is only to be used to support schemes expected to generate a net revenue saving and/or future capital receipt. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The latest forecast for the General Fund capital programme conforms to this key principle.
- 4.2 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

Capital Receipts Position Statement	£'000
Receipts in hand at 31 st August 2017	(7,489)
Less:	
Committed towards General Fund capital expenditure	1,469
Committed towards HRA capital expenditure	4,130
Ring-fenced for specific purposes	1,208
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new capital expenditure	(182)

5. CONCLUSIONS

- 5.1 The projected outturn shown for the existing General Fund capital programme for 2017/18 reflects the position based on actual expenditure and forecasts at 30 September 2017.
- 5.2 Full Council approval is required to be sought for the three new capital schemes identified in section 3 of this report to be included in the General Fund Medium Term Capital Programme.

6. RISK MANAGEMENT ISSUES

- 6.1 A summary of the perceived risks follows:

Perceived risk	Seriousness	Likelihood	Preventative action
Capital resources not available to meet the cost of the new projects.	High	Medium	Capital receipts required have already been realised for the majority of the programme. Schemes subject to future capital resources will only commence once these are realised. Schemes supported by grant funding will only commence once fully approved and committed by the relevant body.
Cost of new projects may exceed the estimate.	High	Medium	Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively.

7. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

7.1 Legal Officer's Comments (DK)

There are no legal implications arising directly out of this report.

7.2 **Finance Officer's Comments** (LW)

This report has been prepared by Financial Services. There are no further comments to add.

7.3 **Diversities and Equalities Implications**

The report does not cover a new service or policy or a revision of either and therefore does not require an Equality Impact Assessment.

8. **CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting

Lee Walker, Group Accountant

Tel: 01303 853593. e-mail :lee.walker@shepway.gov.uk

The following background documents have been relied upon in the preparation of this report:

None

Appendices:

Appendix 1 – General Fund Capital Programme 2017/18 Q2 Projection