

This Report will be made public on 7 April 2017

Folkestone

Hythe & Romney Marsh
Shepway District Council



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Report Number **C/16/111**

To: Cabinet
Date: 19 April 2017
Status: Non-Key Decision
Head of Service: Pat Main – Interim Head of Finance
Cabinet Member: Councillor Susan Carey – Cabinet Member for Finance

**SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET
MONITORING – 4th QUARTER 2016/17**

SUMMARY: This monitoring report provides a projection of the latest financial position for the 2016/17 General Fund capital programme, based on expenditure to 28 February 2017. The report identifies projected variances to the approved capital programme to 31 March 2017 including slippage on schemes from 2016/17 to 2017/18.

REASONS FOR RECOMMENDATIONS:

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.

RECOMMENDATIONS:

1. To receive and note Report C/16/111.

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 4th quarter of 2016/17 compared to the latest budget approved by full Council on 22 February 2017. The latest projections are based on expenditure to 28 February 2016. Specifically, the report identifies:
- i) changes to the overall value of the General Fund capital programme for the period up to 31 March 2017,
 - ii) slippage on planned expenditure for schemes from 2016/17 to 2017/18, and
 - iii) the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- 1.2 The latest projections for the Housing Revenue Account capital programme are to be considered as part of a separate report to Cabinet on this agenda.

2. GENERAL FUND CAPITAL PROGRAMME 2016/17

- 2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2016/17 is £9,251,500, a reduction of £288,500 compared to the latest approved budget of £9,540,000. Full details are shown in the appendix 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 2016/17	Latest Budget 2016/17	Quarter 4 Projection 2016/17	Variance
General Fund – Service Units	£'000	£'000	£'000
Commercial and Technical Services	4,075.0	3,797.0	(278)
Democratic Services and Law	100.5	103.5	3
Finance	2,740.0	2,809.0	69
Human Resources	20.5	10.0	(10.5)
Communities	1,015.0	1,025.0	10
Strategic Development Projects	1,589.0	1,507.0	(82)
Total General Fund Capital	9,540.0	9,251.5	(288.5)
Capital Funding			
Grants	(3,289.0)	(3,475.0)	(186)
External Contributions	(569.0)	(562.0)	(7)
Capital Receipts	(2,027.0)	(1,892.0)	135
Revenue	(3,655.0)	(2,272.5)	1,382.5
Borrowing	-	(1,050.0)	(1,050)
Total Funding	(9,540.0)	(9,251.5)	288.5

2.2 The main changes from the approved budget to the latest projection for the 2016/17 capital programme are summarised below:

Variances – Projected General Fund Capital Programme					
			Funding	£'000	£'000
1		Slippage and Reprofilling to 2017/18			
	i)	Grounds Maintenance Unit – replacement vehicles ordered in 2016/17 and delivery not due until the Spring/Summer of 2017	Revenue	(186)	
	ii)	Empty Properties Initiative – Jointly funded scheme with KCC partly reprofiled to 2017/18	Capital Receipts	(130)	
	iii)	Corporate Property Health and Safety Enhancements – for urgent works to the Civic Centre and other locations	Revenue	(106)	
	iv)	Princes Parade Preparatory Costs – balance towards the development of the scheme	Revenue	(75)	
	v)	Hythe Beach Management coast protection works – Spring beach recycling delayed until April 2017	EA Grant	(59)	
	vi)	Hawkinge Yard Improvements – delayed	Revenue	(29)	
	vii)	Burials Software System – order placed in 2016/17 and software to be received later in Spring 2017	Revenue	(10.5)	
	viii)	Hythe Environmental Improvements	S106	(7)	
					(602.5)
2		Coast Protection Schemes			
	i)	Coronation Parade, Folkestone – additional expenditure met from EA Grant	EA Grant	105	
	ii)	Coronation Parade, Folkestone (Urgent Repairs to Sea Wall) – saving on final cost of works	Capital Receipts	(5)	
					100
3		Reprofilng of Schemes from 2017/18 to 2016/17			
	i)	Oportunitas Ltd – funding for the housing acquisitions programme	Revenue	69	
					69
4		Other Changes			
	i)	Disabled Facilities Grants and Loans – increase in demand met from Better Care Fund grant in-hand.	Grant	140	
	ii)	Other net changes	Revenue	5	
					145
		Total change in overall capital programme			(288.5)

- 2.3 As advised to Cabinet in the Update to the Medium Term Capital Programme report on 18 January 2017, the 2016/17 projected outturn has been updated to include expenditure planned to be met from qualifying capital receipts under the Flexible Use of Capital Receipts Guidance issued by the government in March 2016. The Digital Delivery of Services project, designed to deliver on-going revenue efficiencies, is to be met from the qualifying capital receipt of £0.98m from the sale of 3-5 Shorncliffe Road, Folkestone.
- 2.4 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. IMPACT OF PROGRAMME CAPITAL FUNDING RESOURCES

- 3.1 One of the key principles underlying the council's Medium Term Financial Strategy is that the capital programme is funded from available or realised capital resources and new borrowing should only be used where it is prudent and affordable. 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.
- 3.2 The General Fund element of the land recently acquired at Biggins Wood, Folkestone (£1.05m) was originally planned to be funded from revenue reserves held by the council. Although a decision has yet to be made regarding the land's intended use, it is held as an investment asset (i.e. held for its income earning potential and/or a future capital receipt). As such it is considered that prudential borrowing is suitable to be used to meet the cost of the acquisition on this occasion. This will mean £1.05m of revenue reserves can be made available for other purposes within the General Fund.
- 3.3 The latest position regarding the council's available capital receipts to fund capital expenditure is shown in the following table:

General Fund Capital Receipts Position Statement	£'000
Receipts in hand at 28 February 2017	(7,981)
Less,	
committed towards General Fund capital expenditure	3,225
committed towards HRA capital expenditure	3,160
Ring-fenced for specific purposes:	
i) Home Safe Loans	510
ii) Revenue efficiencies (flexible use of capital	340

receipts)	
iii) Other	78
Contingency for urgent or unforeseen capital expenditure	500
Balance available to support new capital expenditure	(168)

3.4 The revenue resource required to fund the General Fund capital programme in 2016/17, including the impact of any slippage, is provided for in the General Fund Revenue Budget Monitoring report due to be considered by Cabinet separately on this agenda.

4. CONCLUSIONS

4.1 The projected outturn shown for the General Fund capital programme in 2016/17 reflects the position based on actual expenditure and forecasts at 28 February 2017.

4.2 Prudential borrowing is planned to be used to fund the General Fund element of the land acquisition at Biggins Wood, Folkestone. The remainder of the capital programme currently does not require new borrowing to fund it.

4.3 The final outturn position for 2016/17 and the actual level of rephasing of capital expenditure into 2017/18 will be known by the early part of this summer. Therefore Cabinet is asked to note the position at this stage. Formal approval to update the overall General Fund medium term capital programme will be sought from full Council once the final outturn is confirmed.

5. RISK MANAGEMENT ISSUES

5.1 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.

6. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

6.1 Legal Officer's Comments (DK)

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

6.2 Finance Officer's Comments (LW)

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

7. 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

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

None

Appendices:

Appendix 1 – General Fund Capital Programme Budget Monitoring Report 2016/17