

This Report will be made  
public on 11 July 2017

**Folkestone**

Hythe & Romney Marsh  
Shepway District Council



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Report Number **C/17/23**

**To:** Cabinet  
**Date:** 19 July 2017  
**Status:** Non-Key Decision  
**Head of Service:** Pat Main, Interim Head of Finance  
**Cabinet Member:** Councillor Malcolm Dearden, Finance

**SUBJECT: GENERAL FUND CAPITAL BUDGET MONITORING – 1st  
QUARTER 2017/18 AND 2016/17 OUTTURN**

**SUMMARY:** This monitoring report provides a projection of the latest financial position for the General Fund capital programme, based on expenditure to 31 May 2017. The report identifies variances on planned capital expenditure for the General Fund in 2017/18. The report also summarises the 2016/17 final outturn position (subject to audit) for the General Fund capital programme compared to both the latest approved budget and the quarter 4 budget monitoring position reported to Cabinet in April 2017. Finally the report also summarises the outturn position for the approved prudential indicators for capital expenditure in 2016/17.

**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) CIPFA's Prudential Code for Capital Finance requires the actual prudential indicators for the financial year to be reported.

**RECOMMENDATIONS:**

1. To receive and note Report C/17/23.

## 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 1st quarter of 2017/18, based on expenditure to 31 May 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). This report also compares the 2016/17 outturn (subject to audit) for the capital programme to both the latest approved budget and the projected position at quarter 4. The projected position at quarter 4 of 2016/17 was reported to Cabinet on 19 April 2017 (minute 67 refers). Specifically, this report:-

- i) Identifies variances on planned expenditure for 2017/18 arising from both the 2016/17 outturn and other projected changes for the overall capital programme and explanations of these differences,
- ii) considers the impact any changes to the overall capital programme will have on the financing resources required to fund it.
- iii) summarises the 2016/17 outturn position for the approved prudential indicators for capital expenditure.

## 2. 2016/17 FINAL OUTTURN COMPARED TO THE LATEST APPROVED BUDGET AND QUARTER 4 PROJECTION

2.1 The following table provides a summary of the final outturn for the General Fund capital programme in 2016/17 compared to both the latest budget and the quarter 4 projected position. Full details are shown in Appendix 1 to this report. The final outturn figures are consistent with the draft Statement of Accounts and subject to the audit of the accounts.

General Fund Capital Programme 2016/17	Latest Budget 2016/17	Quarter 4 Projection 2016/17	Final Outturn 2016/17	Variance Q4 to Outturn	Variance Budget to Outturn
	£'000	£'000	£'000	£'000	£'000
<b>Service Units</b>					
Commercial & Technical Services	4,075	3,797	3,811	14	(264)
Democratic Services & Law	101	104	100	(4)	(1)
Finance	2,740	2,809	2,735	(74)	(5)
Human Resources	20	10	9	(1)	(11)
Communities	1,015	1,025	1,020	(5)	5
Strategic Development Projects	1,589	1,507	1,506	(1)	(83)
<b>Total General Fund Capital Expenditure</b>	<b>9,540</b>	<b>9,252</b>	<b>9,181</b>	<b>(71)</b>	<b>(359)</b>

<b>General Fund Capital Programme 2016/17</b>	<b>Latest Budget 2016/17</b>	<b>Quarter 4 Projection 2016/17</b>	<b>Final Outturn 2016/17</b>	<b>Variance Q4 to Outturn</b>	<b>Variance Budget to Outturn</b>
<b>Capital Funding</b>					
Capital Grants	(3289)	(3,475)	(4,087)	(612)	(798)
External Contributions	(569)	(562)	(43)	519	526
Capital Receipts	(2,027)	(1,892)	(1,756)	136	271
Revenue	(3,655)	(2,273)	(2,190)	83	1,465
Borrowing	-	(1,050)	(1,105)	(55)	(1,105)
<b>Total Funding</b>	<b>(9,540)</b>	<b>(9,252)</b>	<b>(9,181)</b>	<b>71</b>	<b>359</b>

- 2.2 The following table summarises the reasons for the net reduction in the final outturn expenditure compared to the latest approved budget:

	<b>2016/17 Budget to Outturn Variances</b>	<b>£'000</b>
1	Net impact of reprofiling expenditure on schemes between 2016/17 and 2017/18	(579)
2	Disabled Facilities Grants and Loans – increase in demand met from Better Care Fund grant in-hand.	148
3	Coronation Parade, Folkestone – additional expenditure met from EA Grant	136
4	Eligible expenditure on the Digital Delivery of Services project able to be met from the government's Flexible Use of Capital Receipts Guidance lower than anticipated (Note – unused qualifying capital receipts remain available to support future efficiency initiatives until 2019)	(74)
5.	Other net minor changes	10
	<b>Total Variance</b>	<b>( 359 )</b>

### 3. CAPITAL PROGRAMME 2017/18 – PROJECTED OUTTURN

- 3.1 The latest projection for the total cost and funding of the General Fund capital programme for 2017/18 is £7,162,000, an increase of £250,000 compared to the latest budget of £6,912,000. Full details are shown in Appendix 2 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:

<b>General Fund Programme 2017/18</b>	<b>Latest Budget 2017/18</b>	<b>Quarter 1 Projection 2017/18</b>	<b>Variance</b>
<b>Service Unit</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Commercial & Technical Services	3,416	3,416	-
Democratic Services & Law	112	112	-
Finance	1,178	1,178	-
Human Resources	11	11	-
Communities	1,163	1,413	250
Strategic Development Projects	1,032	1,032	-
<b>Total General Fund Capital Expenditure</b>	<b>6,912</b>	<b>7,162</b>	<b>250</b>
<b>Capital Funding</b>			
Capital Grants	(2,395)	(2,645)	(250)
External Contributions	(1,007)	(1,007)	
Capital Receipts	(959)	(959)	
Revenue	(2,551)	(2,459)	92
Borrow	-	(92)	(92)
<b>Total Funding</b>	<b>(6,912)</b>	<b>(7,162)</b>	<b>(250)</b>

- 3.2 The projected variance of £250,000 relates entirely to an anticipated and welcomed increase in expenditure on Disabled Facilities Grants and Loans for private sector housing improvements to help residents remain in their own properties. The additional expenditure will be met from the government's Better Care Fund grant allocation.
- 3.3 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.

#### **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. 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. Borrowing is only to be used to support schemes expected to generate a net revenue saving and/or future capital receipt. 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:

<b>Capital Receipts Position Statement</b>	<b>£'000</b>
Receipts in hand at 31 <sup>st</sup> May 2017	(6,772)
Less:	
Committed towards General Fund capital expenditure	1,359
Committed towards HRA capital expenditure	3,455
Ring-fenced for specific purposes	1,266
Contingency for urgent or unforeseen capital expenditure	500
<b>Balance available to support new capital expenditure</b>	<b>(192)</b>

## **5. PRUDENTIAL INDICATORS OUTTURN 2016/17**

- 5.1 The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. Appendix 3 compares the approved indicators with the outturn position for 2016/17. The actual figures have been taken from or prepared on a consistent basis with the Authority's draft Statement of Accounts. The Authority has complied with all the limits set as part of the approved indicators for 2016/17.

## **6. CONCLUSIONS**

- 6.1 The outturn position for 2016/17 is consistent with the draft Statement of Accounts.
- 6.2 The projected outturn shown for the General Fund capital programme for 2017/18 reflects the position based on actual expenditure and forecasts at 31 May 2017. The projected increase in expenditure can be met from capital grants received.
- 6.3 The projected outturn for the programme is funded mainly from existing available capital resources and only requires a small amount of borrowing to support it.

## **7 RISK MANAGEMENT ISSUES**

- 7.1 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.

## **8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

### **8.1 Legal Officer's Comments (DK)**

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

### **8.2 Finance Officer's Comments (LW)**

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

### **8.3 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.

## **9. 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](mailto: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 2016/17 Outturn

Appendix 2 – General Fund Capital Programme 2017/18 Q1 Projection

Appendix 3 – Prudential Indicators Outturn Report 2016/17