

This Report will be made public on 20 March 2018

Folkestone

Hythe & Romney Marsh
Shepway District Council



Report Number **C/17/87**

To: Cabinet
Date: 28 March 2018
Status: Non-Key Decision
Head of Service: Charlotte Spendley, Head of Finance
Cabinet Member: Malcolm Dearden, Finance

**SUBJECT: GENERAL FUND CAPITAL PROGRAMME BUDGET
MONITORING – 4th QUARTER 2017/18**

SUMMARY: This monitoring report provides a projection of the latest financial position for the 2017/18 General Fund capital programme, based on expenditure to 28 February 2018. The report identifies projected variances to the approved capital programme to 31 March 2018 including slippage on schemes from 2017/18 to 2018/19.

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/17/87.

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 2017/18 compared to the previous reported projection at quarter 3. The latest projections are based on expenditure to 28 February 2018. Specifically, the report identifies:

- i) changes to the overall value of the General Fund capital programme for the period up to 31 March 2018,
- ii) slippage on planned expenditure for schemes from 2017/18 to 2018/19, 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 2017/18

2.1 The latest projection for the total cost and funding of the General Fund capital programme for 2017/18 is £3,137,000, a reduction of £355,700 compared to the previously reported position at quarter 3 of £3,492,700. The previous projection at quarter 3 was reported to Cabinet on 17 January 2018 (Report number C/17/72 refers). 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 2017/18 | Latest Approved Budget 2017/18 | Quarter 3 Projection 2017/18 | Quarter 4 Projection 2017/18 | Variance Quarter 3 to Quarter 4 |
|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|--|
| General Fund – Service Units | £'000 | £'000 | £'000 | £'000 |
| Commercial and Technical Services | 972 | 972 | 847 | (125) |
| Democratic Services and Law | 112 | 112 | 112 | - |
| Finance | 330 | 330 | 330 | - |
| Transformation | - | - | 371 | 371 |
| Human Resources | 11 | 11 | - | (11) |
| Communities | 1,061 | 1,061 | 1,040 | (21) |
| Strategic Development Projects | 1,006.7 | 1,006.7 | 437 | (569.7) |
| Total General Fund Capital | 3,492.7 | 3,492.7 | 3,137 | (355.7) |
| Capital Funding | | | | |

| | | | | |
|------------------------|------------------|------------------|----------------|--------------|
| Grants | (1,120) | (1,120) | (1,067) | 53 |
| External Contributions | (7) | (7) | (7) | - |
| Capital Receipts | (487) | (487) | (504) | (17) |
| Revenue | (1,490) | (1,490) | (1,460) | 30 |
| Borrowing | (388.7) | (388.7) | (99) | 289.7 |
| Total Funding | (3,492.7) | (3,492.7) | (3,137) | 355.7 |

2.2 The main reasons for the net reduction in the projected outturn in quarter 4 compared to quarter 3 for 2017/18 are summarised below:

| Variations – Projected General Fund Capital Programme | | | | | |
|--|-------|---|------------------|--------------|--------------|
| | | | Funding | £'000 | £'000 |
| 1 | | Slippage and Reprofiled to 2018/19 | | | |
| | i) | Grounds Maintenance Unit – replacement vehicle ordered in 2017/18 and delivery not due until at least April 2018 | Capital Receipts | (38) | |
| | ii) | Replacement vehicle for the Pumping Station service delayed until 2018/19 and subject to negotiations with East Kent Housing | Capital Receipts | (25) | |
| | iii) | Greatstone Dunes Management – works deferred until later in the Spring of 2018 due to a delay in the scheme approval from the Environment Agency | EA Grant | (15) | |
| | iv) | Hythe Beach Management coast protection works – Spring beach recycling delayed until April 2018 | EA Grant | (65) | |
| | v) | Burials Software System – order placed in 2017/18 and software to be received and installed by June 2018 | Revenue | (11) | |
| | vi) | Varne Holiday Lets – scheme now expected to commence during 2018/19 | Borrow | (222) | |
| | vii) | Ship Street Site, Folkestone – future of scheme to be determined following unsuccessful bid to the Housing Infrastructure Fund | Capital Receipts | (280) | |
| | viii) | Biggins Wood Commercial Development – site preparation costs partly reprofiled | Borrow | (67.7) | |
| | | | | | (723.7) |
| 2 | | Transformation Project – capitalisation of eligible revenue costs to be met from existing qualifying capital receipts under the Flexible Use of Capital Receipts Guidance. | Capital Receipts | | 371 |
| 3 | | Other Changes | | | |
| | i) | Coronation Parade coast protection scheme – expenditure reprofiled from 2018/19 to 2017/18 | EA Grant | 27 | |
| | ii) | Empty Properties Initiative – saving | Capital Receipts | (21) | |

| | | | | | |
|--|------|---|------------------|------|----------------|
| | iii) | Saving on the cost of replacement vehicles for the Grounds Maintenance Unit | Capital Receipts | (11) | |
| | iv) | Other net changes | Revenue | 2 | |
| | | | | | (3) |
| | | Total change in overall capital programme for 2017/18 | | | (355.7) |

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. 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 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 2018 | (9,174) |
| Less, | |
| committed towards General Fund capital expenditure | 2,186 |
| committed towards HRA capital expenditure | 5,479 |
| Ring-fenced for specific purposes: | |
| i) Home Safe Loans | 703 |
| ii) Revenue efficiencies (flexible use of capital receipts) | 217 |
| iii) Other | 78 |
| Contingency for urgent or unforeseen capital expenditure | 500 |
| Balance available to support new capital expenditure | (11) |

3.3 The revenue resource required to fund the General Fund capital programme in 2017/18, 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 2017/18 reflects the position based on actual expenditure and forecasts at 28 February 2018.

4.2 The final outturn position for 2017/18 and the actual level of rephasing of capital expenditure into 2018/19 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 estimate. | High | Medium | Capital monitoring procedures in place allowing prompt early action to be taken to manage the risk effectively. |
| Expenditure planned to be met by grant is ineligible under the terms of the funding agreement | High | Low | Prior to commitments being made the project manager to agree in advance grant eligible expenditure with the funding body. |

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

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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 2017/18