

TITLE OF REPORT: SECOND QUARTER CAPITAL MONITORING 2014/15

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE
PORTFOLIO HOLDER: COUNCILLOR T.W. HONE

1. SUMMARY

- 1.1 To update Cabinet on the capital programme for 2014/15, as at the end of September 2014, indicating its impact upon the 2015/16 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2014/15 and onwards.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the changes to the projected capital programme for 2014/15 onwards arising from the re-profiling of schemes, identified in paragraph 8.3, table 1, a decrease in expenditure in 2014/15 of £1.634million.
- 2.2 That Cabinet approves the changes to the projected capital programme for 2014/15 arising as a result of changes to the capital schemes, identified in paragraph 8.4, table 2, an increase in expenditure of £74k.
- 2.3 That Cabinet approves £95k to be spent on telephony infrastructure, as detailed in paragraph 8.5, a new scheme for the capital programme.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve revisions to the capital programme.
- 3.2 Cabinet is required to ensure that the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was referred to in the Forward Plan on 30 June 2014.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for financial year 2013/14. Total capital expenditure in 2013/14 was £11.527million and a remaining useable capital receipt balance of £1.339million was available as at 1 April 2014. The projected capital expenditure for 2014/15 at this time on existing schemes was £9.433million. A total of £1.438million of new capital schemes were approved in the 2014/15 corporate business planning process bringing the total projected capital expenditure for 2014/15 to £10.871million.
- 7.2 The Medium Term Financial Strategy confirmed the Council will seek opportunities to utilise capital funding (including prudent use of the set aside receipts) for invest to save schemes and proposals that generate higher rates of return than investments. This is one way the Council will allocate resources to support organisational transformation that will improve services to the public and represent value for money in line with the Council's priorities.
- 7.3 The Council will ensure the level of planned capital spending in any one-year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.
- 7.4 In September a revised projected expenditure for 2014/15 of £10.158million was approved. This was a decrease of £713k over that previously reported in June. The decrease in spend was partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £336k and partly due to a net increase in the expected spend on schemes of £377k.
- 7.5 Cabinet also resolved in September to extend the contract for the Income Management System, Civica, at a capital cost of £160k (minute 60) and to acquire the freehold or long lease of land or buildings suitable to be used as Council storage facilities up to the value of £750k (minute 58). As a result the revised projected expenditure on the capital programme for 2014/15 became £11.068million.

8. ISSUES

Capital Programme 2014/15

- 8.1 Summaries of the capital programme by priorities and by service are shown in appendix A together with the overall funding analysis and projected availability of capital receipts. The full programme is detailed in Appendix B and shows the revised costs of schemes, together with the provisional programme from 2015/16 to 2017/18. The new capital schemes proposed in the 2015/16 draft budget report are not included in the capital programme until approved at the Council meeting in February.
- 8.2 The projected expenditure for 2014/15 (including all the changes detailed in the paragraphs that follow) is now £9.603million. This is a decrease of £1.465million over that previously reported in September. The decrease in spend is partly due to a revision in the timetable for completion of schemes, leading to re-profiling into future years of £1.634million, partly due to a £74k net increase in the expected spend on schemes and partly due to a new capital scheme of £95k for a replacement telephony infrastructure.
- 8.3 Table 1 lists the schemes now projected to start or continue in 2015/16:

Table 1: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Variance £'000	Comments
Cycle Strategy Implementation	278	0	-278	Officer resource has not been available to progress this project.
Transport Plans Implementation	249	150	-99	This project has progressed and work will continue in 2015/16.
Westmill Community Centre Roof replacement	150	0	-150	This project will not progress unless absolutely necessary, given that the Centre is due to be replaced.
Lairage multi-storey car park improvements:				Legal advice is being sought with regard to right of way issues in order to progress works on the glazed walkway. The wall structures work will be completed in better weather in the spring.
- Glazed walkway	72	0	-72	
- Wall structures	286	0	-286	
Sub-total	358		-358	
Letchworth multi-storey car park improvements:				The next stage of improvements to the multi-storey will start in 2015/16.
- Parapet Walls, Soffit & decoration	150	0	-150	
- Enhancements	70	0	-70	
- Safety Protection Fencing	120	0	-120	
- Structural Investigations	40	0	-40	
Sub-total	380		-380	
Walsworth Common Access Bridge	79	0	-79	This project has been on hold while consideration is given to whether a direct replacement is appropriate or an improved structure is needed to meet Environment Agency requirements. A new scheme is proposed in the 2015/16 Draft Budget Report (reference C27) and if approved will supersede this original scheme.
Energy Efficiency Measures	60	0	-60	A report has now been completed to identify the priority sites for consideration for energy efficiency measures. Feasibility and design works are now to be completed for the two main projects; solar panels on the buildings used for the Careline service and the Museum store.
Refurbishment of the District Council Offices	200	100	-100	Minor re-profiling of the budget to be inline with the latest project timetable.
Capital Enhancement programme	150	75	-75	The procurement process has taken longer than expected but the project is now underway and half the budget is expected to be spent by the end of the financial year.
Premises compliance enhancements	40	0	-40	There is a backlog of work that needs to be completed and works have been identified. Due to other priorities will not be completed until 2015/16.
Other Minor Changes			-15	
Total Revision to Budget Profile			-1,634	

8.4 There are also changes to the expected overall costs of schemes in 2014/15. These changes total an increase of £74k and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2014/15:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Increase/ Decrease £'000	Notes
Handheld equipment for parking enforcement	50	36	-14	The £50k budget was an estimated cost prior to tender for the contract. In the event the machines have been procured at a lower cost.
Westmill Community Centre Design works	29	0	-29	Design work completed for less than budgeted and the North Hertfordshire Homes (NHH) project is underway. At its meeting in July 2013, the Cabinet supported the proposal to use the amount of £1.327m, from the Community Benefit Fund, to finance the building of a new Community Centre in Westmill, Hitchin. The Community Benefit Fund is held by NHH. The contractor has now been appointed by NHH, however the overall cost has risen to £1.468m. NHH has confirmed the increased amount will again be covered in full by the Community Benefit Fund.
S106 Projects	20	116	+96	A total of £116k of S106 funds have been approved for release to community schemes in 2014/15.
Other minor changes			+21	
			+74	

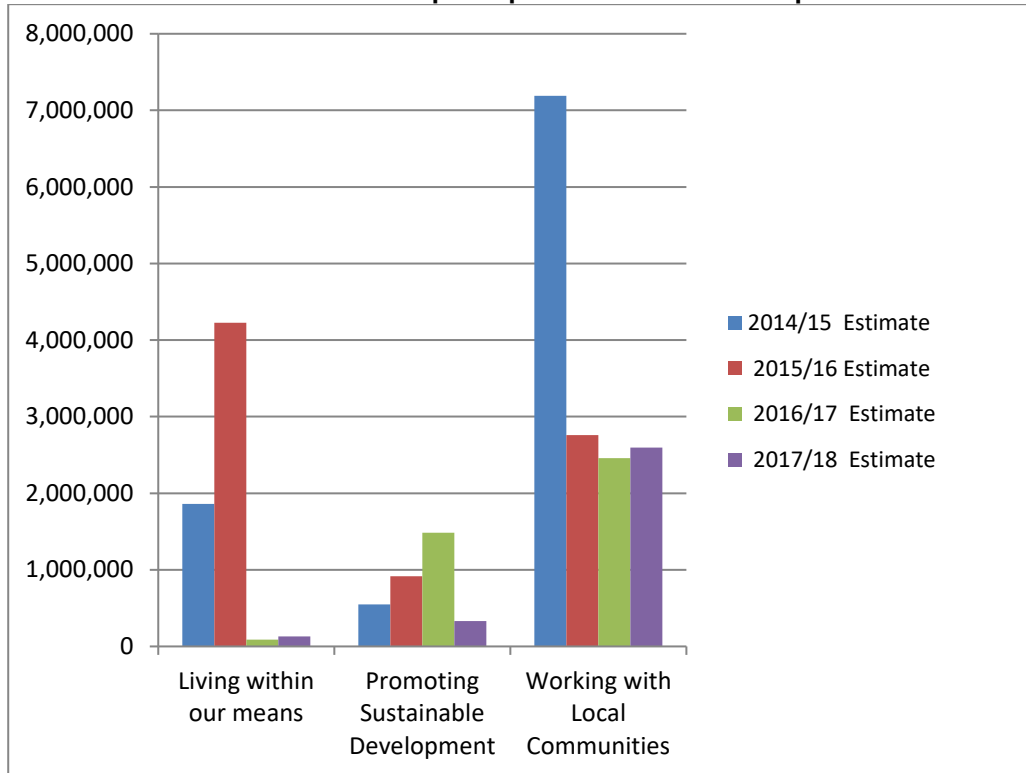
8.5 An independent review of the Council's telephone infrastructure has established that the hardware is near the end of its useful life and replacement is unavoidable. An exercise of soft market testing has identified that a capital investment of between £50k and £95k should reduce annual revenue expenditure by between 24% and 37% as well as increasing productivity. The current annual revenue spend on telephony is circa £90k. A business case was considered and approved by the Corporate Board. It would be advantageous to implement any changes ahead of the implementation phase of the office accommodation project so that a temporary move out of the building and increase in home workers during this time, if needed, can be supported effectively. It is therefore proposed that the project is delivered within the next 12 months to support the office accommodation project and which will also coincide with the end of the extension to the support and maintenance contract.

Link to the Council's Priorities

8.6 The total programme from 2014/15 to 2017/18 of £24.6million contributes towards the three priorities of;

- Living within our means
- Promoting Sustainable Development
- Working with Local Communities

Chart 1: Distribution of capital spend on the Council's priorities



Capital Programme 2014/15 Funding onwards

- 8.7 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2014/15 and onwards is £1.339million. The balance of “set aside receipts” available before external borrowing is required is £23.3million. The 2014/15 capital programme of £9.6million requires a total of £7million from the Council’s capital resources. As a result it will be necessary to draw down approximately £4.9million from the Council’s set aside receipts to fund the current programme. Council land has been identified for disposal and it is hoped completed sales will generate receipts of approximately £4.75million this financial year. Use of the set aside receipts will increase the Council’s Capital Financing Requirement and will impact on the Treasury activity of the Council. However, if received the capital receipt could offset this impact and there could be a balance of £4million remaining in useable capital receipts at 1 April 2015 for funding of future capital spend. Work is underway to identify further sites for disposal that would contribute towards funding the future capital programme.
- 8.8 The availability of third party contributions and grants to fund capital investment is continuously sought in order to alleviate pressure on the Council’s available capital receipts and allow for further investment. In 2014/15 a total of £2.4million of third party contributions and grants is expected to be applied. This includes £316k of S106 receipts.
- 8.9 The capital programme will need to remain permanently under close review due to the limited availability of capital receipts and the affordability in the general fund of the cost of using the Council’s set aside capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £4.9million currently earns the Authority approximately £49k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference specifically include "to monitor expenditure on the capital programme". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report. The Authority can call upon disposal of its non-core assets if needed and if considered affordable.
- 10.2 The Authority operates a 10% tolerance limit on capital projects and on this basis over the next four-year programme it should be anticipated that the total spend over the period could be £2.5million higher than the estimated £24.6million. The authority will need to continuously review the affordability of the capital programme in the light of the asset disposal programme, availability of third party funds and impact on the general fund. The asset disposal programme has to be carefully reviewed in the light of market conditions while considering the demands for resources from the capital programme.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate against the risk of a project not achieving the agreed objectives.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These should be recorded on a project risk log which will be considered by the Project Board (if applicable).

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and

opportunities are identified in the relevant section at paragraphs 12. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct human resource implications.

15. APPENDICES

15.1 Appendix A - Capital Programme Summary 2014/15 onwards.
Appendix B - Capital Programme Detail 2014/15 onwards.

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17. BACKGROUND PAPERS

17.1 2013/14 Year End Statement of Accounts - [Statement of Accounts](#)

17.2 2014/15 Budget Estimates Book - [Budget Book](#)