

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2015/16

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

1. SUMMARY

- 1.1 To update Cabinet on the capital programme for 2015/16, as at the end of June 2015, indicating its impact upon the 2016/17 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2015/16 and onwards.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the changes to the projected capital programme for 2015/16 onwards arising from the re-profiling of schemes, identified in paragraph 8.3, table 1, a decrease in expenditure in 2015/16 of £0.175million.
- 2.2 That Cabinet approves the changes to the projected capital programme for 2015/16 arising as a result of changes to the capital schemes, identified in paragraph 8.4, table 2, a net decrease in expenditure of £55k.
- 2.3 That Cabinet approves the changes to the projected capital programme for 2015/16 and onwards arising for the North Hertfordshire Museum and Community Facility for an increase in budget of up to a maximum of £138k agreed by full Council on the 16 July 2015.

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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 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 27 February 2015.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for the financial year 2014/15. Total capital expenditure in 2014/15 was £4.532million and a remaining useable capital receipt balance of £0.851million was available as at 1 April 2015. The projected capital expenditure for 2015/16 at this time on existing schemes was £12.384million.
- 7.2 In July, Cabinet approved a budget of £64k to enable the recording of Council meetings increasing the projected capital expenditure for the year to £12.448million.
- 7.3 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.
- 7.4 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.

8. ISSUES

Capital Programme 2015/16

- 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 2016/17 to 2018/19.
- 8.2 The projected expenditure for 2015/16 (including all the changes detailed in the paragraphs that follow) is now £12.356million. This is a decrease of £28k. 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 £0.175million, partly due to a £55k net decrease in the expected spend on schemes and partly due to changes to the budget for the District Museum and Community Facility at Hitchin Town Hall, and Recording of Council Meetings.
- 8.3 Table 1 lists the schemes now projected to start or continue in 2016/17:

Table 1: Scheme Timetable Revision:

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

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Variance £'000	Comments
Bancroft Gardens Play Area	75	0	-75	An options report will be prepared in September leading to commencement of the project in 16/17
Baldock New Wheeled Sports	100	0	-100	Feasibility study to be undertaken which will establish the preferred location and design for this project.
Total Revision to Budget Profile			-175	

- 8.4 There are also changes to the expected overall costs of schemes in 2015/16. These changes total a decrease of £55k and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2015/16:

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

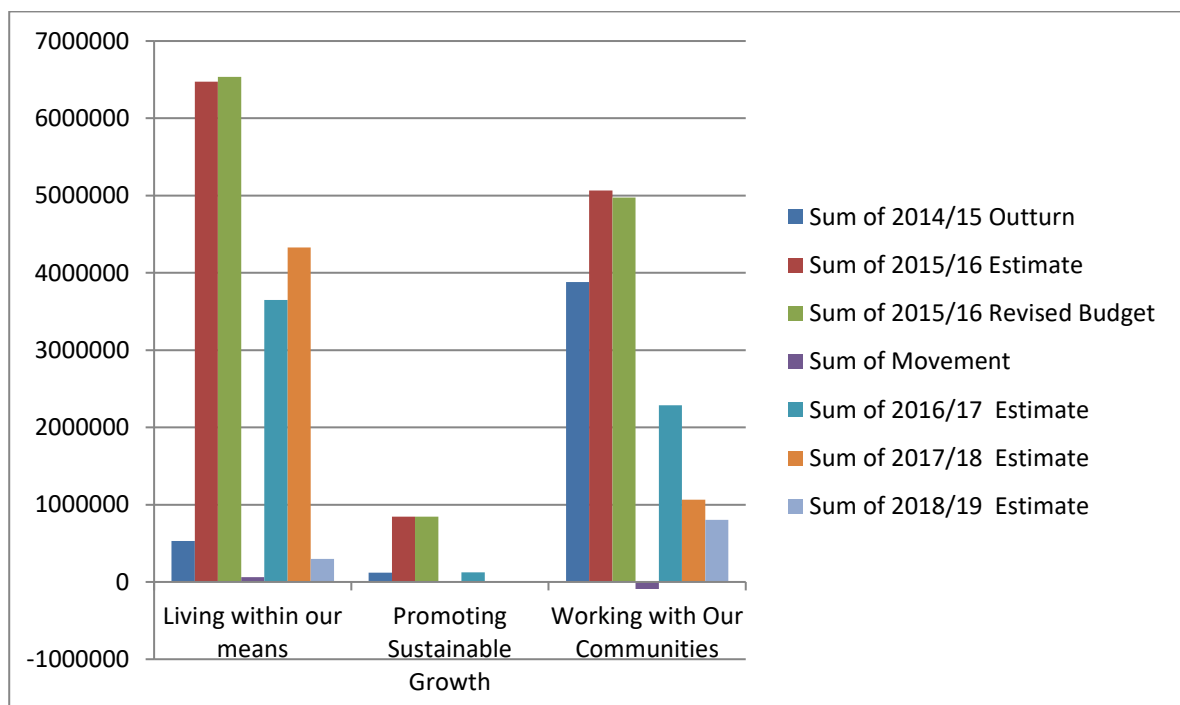
Scheme	2015/16 Working Budget £'000	2014/15 Revised Projection £'000	Increase/ Decrease £'000	Notes
Baldock Road Changing Rooms	50	0	-50	Budget duplication. £47K carried forward into 15/16 for Baldock Road Recreation Ground Porta-Cabin. Therefore this £50K is not required.
Purwell Recreation Ground Improvements	25	17	-8	Actual spend to date of £17K represents the final outturn figure resulting in an £8K underspend
Other minor variances			3	
			-55	

Link to the Council's Priorities

8.5 The total programme from 2015/16 to 2018/19 of £24.9million 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 2015/16 Funding onwards

8.6 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2015/16 and onwards is £0.851million. The balance of "set aside receipts" available before external borrowing is required is £20.2million. The 2015/16 capital programme of £12.356million requires a total of £9.6million from the Council's capital resources. As a result it will be necessary to draw down approximately £5.5million from the Council's set aside receipts to fund the current programme. Use of the set aside receipts will increase the Council's Capital Financing Requirement and will impact on the Treasury activity of the Council. In June, the Council received £4.823million from the disposal of land which increased the useable capital receipts total to £5.7million. Work is underway to identify further

sites for disposal that would contribute towards funding the future capital programme.

- 8.7 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 2015/16 a total of £2.65million of third party contributions and grants is expected to be applied. This includes £462k of S106 receipts.
- 8.8 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. The Council currently earns around 1% interest on cash investments. 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 £2.49million higher than the estimated £24.9million. 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 2015/16 onwards.
Appendix B - Capital Programme Detail 2015/16 onwards.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 2014/15 Year End Statement of Accounts –
<http://www.north-herts.gov.uk/sites/northherts-cms/files/Statement%20of%20Accounts%202014-15%20Un-Audited.pdf>
- 17.2 2015/16 Budget Estimates Book.