

TITLE OF REPORT: SECOND QUARTER CAPITAL MONITORING 2015/16

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 2015/16, as at the end of September 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 £1.539million.
- 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 £19k.

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 the 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 12 August 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 September, Cabinet approved changes to the budget of £28k decreasing the projected capital expenditure for the year to £12.356million.
- 7.3 The Medium Term Financial Strategy confirmed that 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 £10.798million. This is a decrease of £1.558million. 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 £1.539million and partly due to a £19k net decrease in the expected spend on schemes.
- 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
Letchworth Multi-storey Car Park - Lighting	23	0	-23	Following structural investigations, the lamps specification on top deck needs to be re-visited
Letchworth Multi-storey Car Park - parapet walls, soffit & decoration	150	4	-146	Other priorities including essential reactive maintenance, enhancement works, previously re-profiled schemes and priority projects (eg Westmill Community Centre, office accommodation scoping, Lairage multi-storey car park resurfacing, compliance contact) have meant that Officer resource has not been available to progress this project.
Letchworth Multi-Storey Enhancements	70	0	-70	Other priorities have meant that Officer resource has not been available to progress this project.
Letchworth Multi-Storey Safety Edge Protection Fencing	120	0	-120	Other priorities have meant that Officer resource has not been available to progress this project.
Making good trip hazards in Hitchin Town Centre	25	0	-25	Other priorities have meant that the procurement process has yet to start.

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Variance £'000	Comments
St Mary's car park. Structural repairs to steps	25	0	-25	This scheme is linked to making good trip hazards in Hitchin Town Centre.
Replacement of Walsworth Common Access Bridge	185	10	-175	The necessary temporary repairs were made to the bridge to make it safe. This budget is for work to enable enhanced weight bearing which would mean the green could be used for various functions. Design works have commenced but implementation will not take place until the next financial year.
Energy efficiency measures	60	20	-40	This budget was originally going to be spent on solar panel works. However due to reductions in feed in tariffs these schemes now need to be re-evaluated. Some minor works will be done this financial year, but the majority will slip into 2016/17.
Refurbishment of DCO	430	160	-270	Budget profile revised as majority of physical works will now start after the 1st April 2016.
Capital enhancement programme	141	94	-47	Work on other priorities means that this programme has been re-profiled.
Council property improvements following condition surveys	300	50	-250	Minimal work will be progressed this financial year partly due to ongoing discussions with occupiers regarding specific work programmes. The majority of work will now take place in 2016/17.
Hitchin Swim Centre Car park extension	278	0	-278	An agreement has been reached over the terms and conditions with the Cow Commoners on the Land Swap however right of way issues are in the process of being negotiated
Baldock Rd Rec Grnd Porta-Cab	50	0	-50	Nothing is expected to be spent in 15/16. Green Space Strategy review will identify if this project is still required in the capital programme.
Norton Common Wheeled Sports	20	0	-20	There is potential for additional section 106 contributions of £130k to expand this project, with a total £154k outlay. Funding from S106 for this would then be £150k. This proposal would be put before cabinet for approval. Project would start in 16/17
Total Revision to Budget Profile			-1,539	

8.4 There are also changes to the expected overall costs of schemes in 2015/16. These changes total a decrease of £19k and are detailed in Table 2:

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

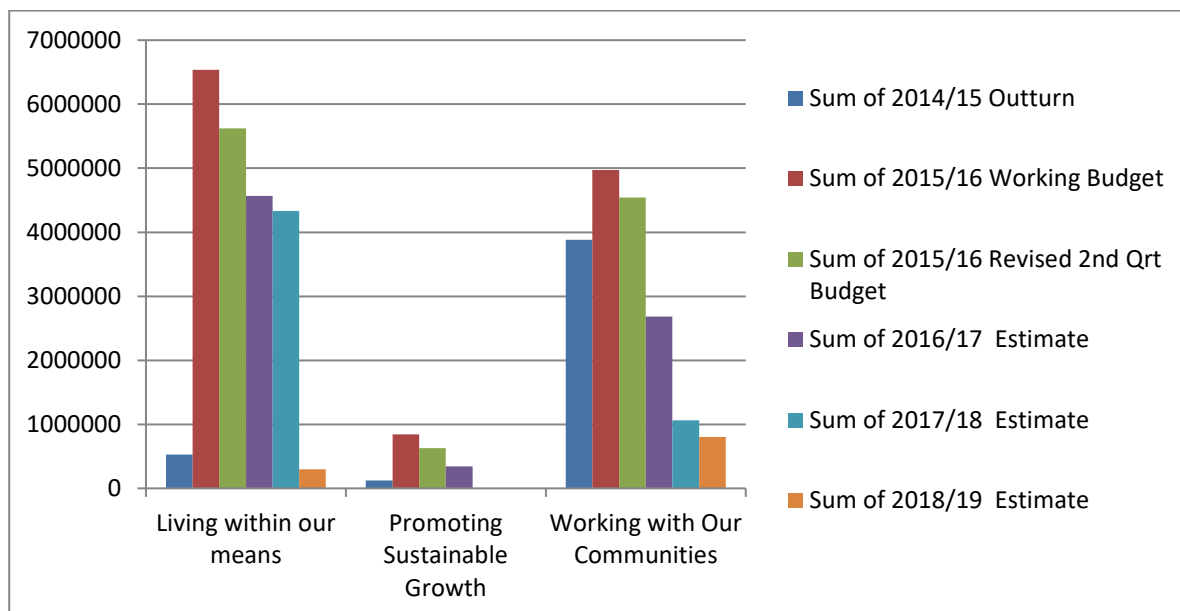
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Increase/ Decrease £'000	Notes
S106 Projects	29	65	36	A total of £65k of S106 funds have been approved for release to community schemes in 2015/16.
Lairage multi-storey car park - white lighting	67	52	-15	Original budget over estimated.
Off Road Car parks Re surfacing and lining	50	0	-50	Works have been paid from the 2015/16 car park resurfacing budget.
Other minor variances			10	
			-19	

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. 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. The balance of "set aside receipts" available before external borrowing is required is £20.2million. The 2015/16 capital programme of £10.798million requires a total of £8.0million from the Council's capital resources. As a result it will be necessary to draw down approximately £4.4million from the Council's set aside receipts to fund the current programme. This would leave a balance of £2.1million of useable capital receipts to fund future projects. Use of the set aside receipts will increase

the Council's Capital Financing Requirement and will impact on the Treasury activity of the Council.

- 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 £2.68million of third party contributions and grants is expected to be applied. This includes £499k of S106 receipts.
- 8.8 The capital programme will need to remain under ongoing 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 militate 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 The report notes the impact of work prioritisation amongst limited office resources, leading to re-profiling of some schemes.

15. APPENDICES

- 15.1 Appendix A - Capital Programme Summary 2015/15 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.