

TITLE OF REPORT: THIRD 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 December 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 £5.895million.
- 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 £293k.
- 2.3 That Cabinet recommends to Council that the IT schemes detailed in paragraph 8.5 totalling £1.103million for the four year period be included in the capital programme for 2016/17 onwards.

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.
- 3.3 Council is required to approve additions to the capital programme.

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 5 February 2016.

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 In December, Cabinet approved changes to the budget of £1.558 decreasing the projected capital expenditure for the year to £10.798million.
- 7.4 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.
- 7.5 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 2019/20.
- 8.2 The projected expenditure for 2015/16 (including all the changes detailed in the paragraphs that follow) is now £4.61million. This is a decrease of £6.188million. The decrease in spend is mainly due to a revision in the timetable for completion of schemes, leading to re-profiling into future years of £5.895million and partly due to a £293k 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
HAG John Barker Place	548	0	-548	This will not be claimed this financial year. Phase 1 of the project is almost complete and this funding will be claimed on commencement of Phase 2 IN 2016/17
Software Asset Management	13	0	-13	A suitable application has not been identified which meets our business needs. There are many solutions on the market at high costs which do far more then we are looking for. This will be explored again next year.

Scheme		2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Variance £'000	Comments
Permit Citizen	Gateway	15	0	-15	Project will not be completed this financial year due to development issues.
Record Meetings	Council	64	0	-64	Due to the DCO Refurbishments and potential Civic Suite options being considered to allow better use of the Council Chamber space, it would not be sensible to go out to tender as the original specification was for the Civic Suite as it is presently configured and not what might be. Once the final option is agreed, the specification will be reviewed to ensure it meets future requirements.
Energy Measures	Efficiency	20	0	-20	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 were hoped to be undertaken this financial year, but will now slip into 2016/17.
DCO Refurbishment		160	130	-30	Delays due to changes to the project scope.
Storage Facilities		750	500	-250	A suitable building has been identified and lease negotiations are nearing completion. Fit out costs will be incurred in 2016/17.
Lairage MS Repairs	Structural	265	143	-122	Other priorities have meant that Officer resource has not been available to complete this project.
Hitchin Safety & Equalities Act improvements	Multi-Storey	40	0	-40	Waiting for a condition survey on the lift before work can be implemented.
Replace and enhance lighting at St Mary's Car Park		60	0	-60	Other priorities have meant that Officer resource has not been available to progress this project.
Telephony Upgrade	System	123	112	-11	Due to major changes made during the installation of the telephony system, the implementation of the automated speech service (est. cost £10,700) which is the second phase of the telephony upgrade, will commence in the new financial year.
Cycle Implementation	Strategy	278	0	-278	Staff resources are being directed to the production of the Local Plan, therefore work on this scheme will not take place until 2016/17
Transport Implementation	Plans	209	0	-209	Staff resources are being directed to the production of the Local Plan, therefore work on this scheme will not take place until 2016/17
Green Implementation	Infrastructure	60	2	-58	Staff resources are being directed to the production of the Local Plan, therefore work on this scheme will not take place until 2016/17
Royston Civic Centre Redevelopment		41	0	-41	Need to review Asset Management Strategy to see if project is still a priority or if the funds need to be reallocated.

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Variance £'000	Comments
Warren Car Park Redevelopment	100	0	-100	This project is dependant on the Royston Civic Centre project. If that does not proceed, then neither will the car park redevelopment.
Install On Street Charging	50	0	-50	The parking strategy needs to be reviewed and to see if this is still a priority or if the project should be reallocated.
Civica Cash Receipting system	3	0	-3	The majority of the work was completed in 2014/15. This budget will fund system enhancement in 2016/17 .
Northgate - Conjoin Dependent Notices, Notification Letters and Recovery Notices.	19	0	-19	This is dependant on the Hybrid Mail project being implemented.
Baldock Town Hall Improvements	137	24	-113	Spend is dependent on receiving requests for funds from the community group. They have not requested as much of the allocated funds as anticipated in 2015/16. Officers will continue to assist the group
Bancroft Hall Demolition	49	4	-45	Demolition of the hall is dependant on the HTH reopening. As the opening of the HTH has been delayed then the demolition of Bancroft is delayed.
Rural Grants	126	40	-86	One project granted funding in this financial year has yet to commence worth £10k and may not complete before the end of March. The remaining funding in the budget should be slipped into 2016/17 as it is anticipated that more qualifying projects will be found and funded.
Baldock Rd Recreation Grounds	59	3	-56	Waiting for Landlord consent from the Heritage Foundation. The works will take 6- 7 weeks to complete.
Butts Close Renovation Hitchin	30	0	-30	Consultation has taken longer than anticipated and will require the budget to be carried forward into the new year.
Jackmans Creamery Letchworth	30	8	-22	Work on this project will commence in March and complete in 2016/17.
Smithsons Recreation Ground	30	5	-25	The second phase of consultation and design has taken place following revisions made to the proposals. The Trustees of Smithson Recreation will be meeting in March for the final approval so the scheme will slip into the new year.
North Hertfordshire Museum and Community Facility	1,556	850	-706	Due to a delay in the fit out work for the museum, the capital spend has been re-profiled to be spent in 2016/17.

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Variance £'000	Comments
Learner Pool Leisure Centre	1,375	130	-1,245	There are increases to both revenue and capital costs. In terms of capital, these additional costs, £22,500, will be funded through contingencies. The current market conditions have increased further financial risks on cost and time to deliver this project. There has been a further thirteen week delay on the project which will impact the estimated increased revenue income in 2016/17 reducing it by an estimated £64k. Further details will be reflected in the 2016/17 monitoring reports.
Relocate Cafe, Office, Dance	785	55	-730	As above
Replace Sports Hall Floor & Lights	135	10	-125	As above
Pool Filter Refurb & UV System	100	0	-100	As above
Refurb Swim Changing Rooms LC	509	40	-469	As above
Parking & Electric/Gas Upgrade	181	15	-166	As above
Corridor Lights & Floor LC	51	5	-46	As above
Total Revision to Budget Profile			-5,895	

8.4 There are also changes to the expected overall costs of schemes in 2015/16. These changes total a decrease of £293k 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
3Sixty Citizen Web Access	11	6	-5	Project is complete
HAG Dark Lane Sandon NHH	0	-106	-106	This scheme was funded in 2013/14. The agreement was that if Howard Cottage obtained additional funding elsewhere, they would repay the NHDC funding. Having obtained additional funds, Howard Cottage returned £106K.
Westmill Community Centre Roof Replacement	150	0	-150	The new Community Centre has been built so there is no longer a need for this project.
Westmill Community Centre	0	10	10	Adhoc work will be fully funded by North Herts Homes
Replace Seating at Hit Swim	80	60	-20	Original budget over estimated.

Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Increase/ Decrease £'000	Notes
Bakers Close Pavilion Refurb	50	0	-50	The scheme will not take place due to a greater number of higher priority projects and the substantial costs of the scheme.
Careline Community Alarms	10	20	10	Over the past 18 months the Council has been able to use these capital funds to acquire community alarm and telecare business assets from a number of other providers across Hertfordshire following Hertfordshire County Council's reform of its Housing Related Support programme. These acquired assets have enabled the Council to take direct advantage of revenue streams of over £300k pa and have also placed it in a strategically sound position to expand business relationships with these ex-providers vis-à-vis other out-of-hours call handling work.
S106 Projects	65	80	15	A total of £78k of S106 funds have been approved for release to community schemes in 2015/16.
Other minor variances			3	
			-293	

8.5 Table 3 details schemes in the IT Strategy that were approved by Cabinet in September 2015. These schemes require Council approval to be included in the capital programme.

Table 3: Changes to Capital Programme Commencing in 2016/17:

Scheme	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total
Dell Servers				65	65
New Blade Enclosure				32	32
Replacement SAN				110	110
Core Backbone Switch	16		17	20	53
Cabinet Switches - 4 Floors	15		18		33
Security - Firewalls	10		14		24
Back-up Diesel 40 KVA Generator (DCO)				20	20
40 KVA UPS Device or Battery Replacement		20		7	27
PC's - Refresh Programme	17	18	17	17	69
Additional PC's - Support Home Working/OAP		13		13	26
Laptops - Refresh Programme			6		6
Tablets - Android Devices	7	8	7	8	30
Additional Storage		12		13	25
Disaster Recovery Set-up	90			25	115
Enterprise Agreement (MS EA)	90	90	90	90	360
SQL Licence Costs	25	25	25	25	100
Alternative to safeword tokens for staff/members working remotely				8	8
Total	270	186	194	453	1,103

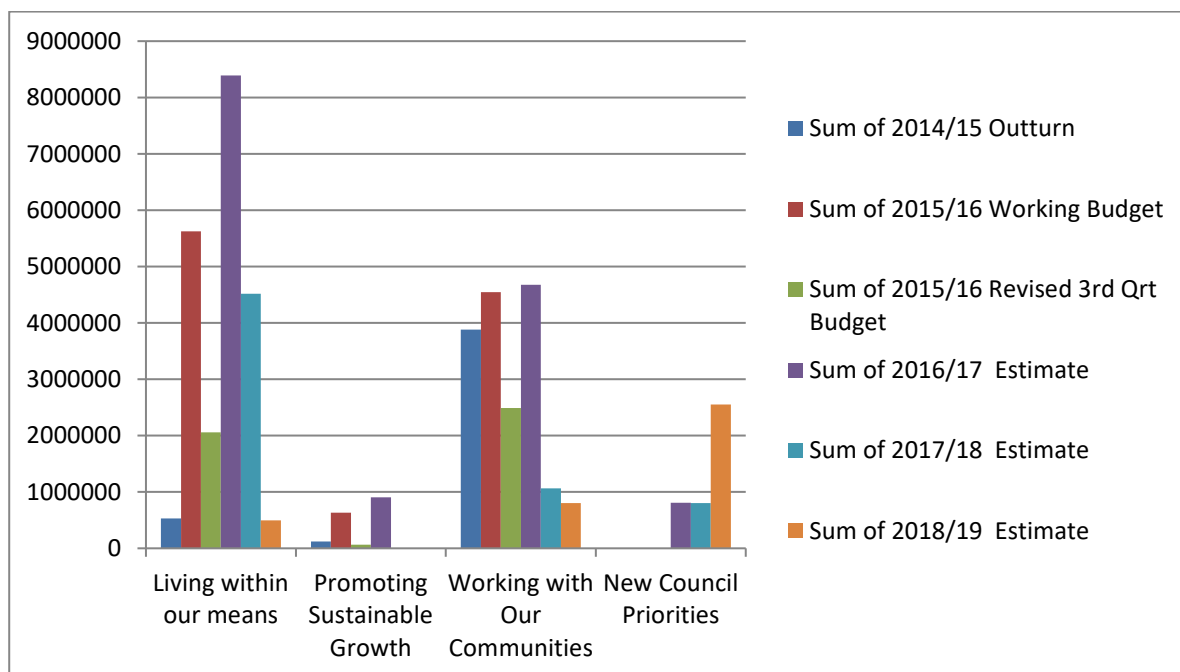
Approved Programme	Capital	8,619	6,195	3,655	1,205	19,674
Slippage at 3 rd Qrt		5,895				5,895
Total Capital Programme		14,784	6,381	3,849	1,658	26,672

Link to the Council's Priorities

8.6 The total programme from 2015/16 to 2018/19 of £29.6million 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 2015/16 Funding onwards

8.7 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2015/16 and onwards was £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 £4.1million requires a total of £3.4million from the Council's capital resources. As a result it will be necessary to draw down approximately £2.2million from the Council's set aside receipts to fund the current programme. This would leave a balance of £4.5million 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.

8.8 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 2015/16 a total of £1.2million of third party contributions and grants is expected to be applied. This includes £395k of S106 receipts.

8.9 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 £2.96million higher than the estimated £29.6million. 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 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 2015/16 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.