

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 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 financial year 2015/16, 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 2016/17 onwards.
- 1.3 To obtain Cabinet's approval for the funding of the capital programme and to the amount of capital receipts applied towards the 2015/16 capital outturn.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of £3.524million in 2015/16 on the capital programme, paragraph 8.2 refers, and in particular the changes detailed in table 3 which resulted in a net decrease on the working estimate of £0.145million.
- 2.2 That Cabinet considers and approves the changes to the capital programme for 2016/17 and onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2016/17 by £0.941million (re-profiled from 2015/16).
- 2.3 That Cabinet approves the changes to the capital programme for 2016/17 as a result of the additional £0.317million budget approved by Council in January for the North Herts Leisure Centre.
- 2.4 That Cabinet notes the position of the availability of capital resources, as described in paragraphs 8.7 to 8.10, and the requirement to keep the capital programme under review for affordability.
- 2.5 That Cabinet approves the application of £0.877million of capital receipts towards the 2015/16 capital programme and the drawdown of £1.368million from set aside receipts, paragraph 8.7 refers.

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 WARD 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 5 February 2016.

7. BACKGROUND

- 7.1 Members were advised in June 2015 of the outturn position of the capital programme for 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 was £12.384million.
- 7.2 Members were reminded that the capital programme would need to remain under review due to the limited availability of capital receipts and the affordability in the general fund of the cost of using the Council's previously 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. £1.0million currently earns the Authority approximately £10k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments as the availability of cash for investments diminishes.
- 7.3 The Medium Term Financial Strategy for 2016 to 2021 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 standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.
- 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.
- 7.5 Members receive quarterly updates on projected expenditure and are asked to approve these revisions. Table 1 shows the effect of these updates:

Table 1: Revision to the Capital Programme during 2015/16:

	Projected Expenditure in 15/16 £M	Change from Previous Forecast £M	Re-profiling to Future Years £M	Net Change in Spend on Schemes £M
Q1 (Sept 15)	12.356	(0.028)	(0.175)	0.147
Q2 (Dec 15)	10.798	(1.558)	(1.539)	(0.019)
Q3 (March 16)	4.610	(6.188)	(5.895)	(0.293)

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 2015/16 to 2018/19. The funding source for each capital scheme is shown in appendix C.

8.2 The outturn capital expenditure for 2015/16 (including all the changes detailed in the paragraphs that follow) is £3.524million. This is a reduction of £1.086million on that previously reported at the end of the third quarter. The decrease in spend is largely due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £0.941million and also to a net decrease in the spend on other schemes of £0.145million.

8.3 The following capital schemes have been completed during 2015/16:

- Reroof Council Chamber
- Letchworth Multi Storey Lighting
- Handheld Equipment for Parking Enforcement
- Purwell Recreation Ground
- Electronic Gate Installation at four green space locations
- A total of £0.681million of Disabled Facility Grants have been delivered
- Various IT projects

8.4 Table 2 lists the schemes in the 2015/16 Capital Programme that are now expected to start or continue in 2016/17:

Table 2: Scheme Timetable Revision:

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

Scheme	2015/16 Working Budget £'000	2015/16 Outturn £'000	Variance £'000	Comments
Storage Facilities	500	0	-500	A number of property issues took longer to resolve than initially expected. Completion of the purchase is expected in June 2016.
Council property improvements following condition surveys	50	0	-50	Reassessment of works and additional projects have delayed procurement processes.
Glazed walkway Lairage Car Park	74	1	-73	Project delayed due to difficulties liaising with adjacent tenants, and extended legal processes.
Letchworth Multi storey structural repairs	40	1	-39	The re-profiling of this project is due to a delay in the procurement of professional consultancy.
Burymead Rd Roof Waterproofing	60	2	-58	Tender and legal processes were delayed, resulting in works being programmed in early 2016/17. A contractor has now been appointed.
Splash Park Bancroft Recreation Ground	190	158	-32	Awaiting connection of electric supply. Due for completion in May 2016.
Splash Park Priory Memorial	160	112	-48	Awaiting connection of electric supply. Due for completion in May 2016.
Area Visioning	36	5	-31	The majority of this funding is allocated for the refurbishment of Bancroft Gardens with works currently underway. It is likely

Scheme	2015/16 Working Budget £'000	2015/16 Outturn £'000	Variance £'000	Comments
				that works will be completed by the end of Q3 2016/17.
North Hertfordshire Museum and Community Facility	850	900	50	Change to budgeted profile
Other minor slippage			-160	
Total Revision to Budget Profile			-941	

8.5 There are also changes to the overall costs of schemes in 2015/16. These changes total a net reduction of £0.145million 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)

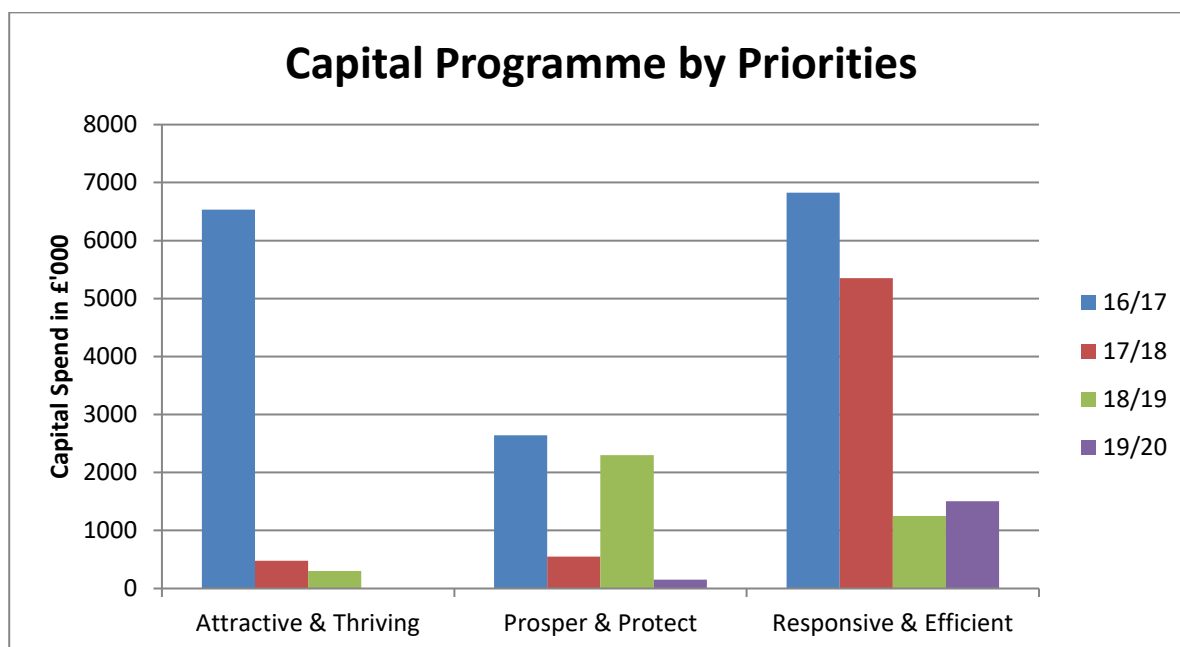
Scheme	2015/16 Working Budget £'000	2015/16 Revised Projection £'000	Increase/ Decrease £'000	Notes
Premises Enhancement Programme	94	49	-45	Budget was allocated for urgent works that may have been identified within the condition surveys. Fewer urgent works were identified.
Off Street Car Park resurfacing	153	83	-70	Re-examination of the conditions of car parks has enabled re-evaluation of surfacing priorities.
DCO Refurbishment	130	166	36	Additional consultancy works required due to the decision to tender for the refurbishment based on several options. As a result additional site investigations were required.
Disabled Facility Grants (DFG)	745	680	-65	Works undertaken are in the hands of the grant applicant and their contractor.
Home Repair Assistance	60	30	-30	Budget was increased from £35K to £60K this year Staffing resources have been part of the reason for an underspend. Little promotion of the grants has taken place to date because, despite the increase, the budget is still limited. However programmes are being developed to target those residents who would benefit from the support that this grant offers. Although there has been an underspend, expenditure has been higher than in previous years.
Other minor changes			29	
Total revision to scheme spend			-145	

Link to the Council's Priorities

8.6 Chart 1 show how the total programme from 2016/17 to 2019/20 of £27.926million contributes towards the three priorities of:

- Attractive & Thriving
- Prosper & Protect
- Responsive & Efficient

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. The 2015/16 capital spend requires funding of £2.245million from the Council's capital resources. A total of £0.877million is proposed to be used from useable capital receipts and the remaining £1.368million is proposed to be used from the set aside receipts. Use of the set aside receipts will increase the Council's Capital Financing Requirement (CFR) and this will be reflected in the Treasury Activity review of 2015/16.
- 8.8 There will be a balance of £5.462million remaining in useable capital receipts at 1 April 2016 for funding of future capital spend. There have been four asset disposals during 2015/16 which have resulted in capital receipts of £5.488million. These were disposal of land at Lloyd Way Kimpton, Lumen Road Royston, Meadow Way Therfield and Bradleys Corner Hitchin.
- 8.9 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. In 2015/16 a total of £1.279million of third party contributions and grants has been applied. This includes £0.378million of S106 receipts.
- 8.10 The capital programme will need to remain 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. £1.0million currently earns the Authority approximately £10k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the CFR reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider borrowing for further capital spend. The CFR at the 31 March 2016 is negative £19million.

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
CABINET (14.6.16)

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 £2.793million higher than the estimated £27.926million. 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 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Covalent (the Council's Performance & Risk management software). Some of the major capital projects have been included as the Council's Top Risks (such as the new North Hertfordshire Museum). The Top Risks are monitored by the Finance, Audit and Risk Committee.

- 11.2 Cabinet receives quarterly reports on project progress and forecast spend

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.
Appendix C - Capital Scheme Funding 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%20Audited_2.pdf

17.2 2015/16 Budget Estimates Book.

http://www.north-herts.gov.uk/sites/northherts-cms/files/budget_book.pdf