

CABINET

14th June 2011

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

CAPITAL PROGRAMME OUTTURN 2010/11

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

1. SUMMARY

- 1.1 To update Cabinet on the final outturn capital programme for 2010/11 and identify the impact on the 2011/12 programme and on available capital funding resources.
- 1.2 To obtain Cabinet's approval to the amount of capital receipts applied towards the 2010/11 capital outturn.
- 1.3 To obtain Cabinet's approval for changes to individual scheme expenditure for 2010/11 and 2011/12 onwards.

2. FORWARD PLAN

- 2.1 This Report contains a recommendation on a key decision and was first included in the Forward Plan on 1 March 2011.

3. BACKGROUND

- 3.1 Following a comprehensive review of the priorities for the capital programme in the light of the limited availability of capital funding, Members took action during the year to reduce the projected expenditure in 2010/11 from the original budget of £9.324million to a working budget at the end of the 1st quarter of £7.142million.
- 3.2 The 3rd quarter monitoring report advised Members of projected capital expenditure for 2010/11 of £5.141 million following a number of changes to the timetable for the completion of schemes, changes to the expected spend on schemes and new schemes.
- 3.3 The report also reminded Members of the limited availability of capital receipts to fund the capital programme and that prudential borrowing may be required if the amount of funding available from capital receipts and third party contributions is insufficient to fund the capital programme, or it can be demonstrated that borrowing is the preferred option given the financial and property market conditions.

4. CAPITAL PROGRAMME

Capital Programme Outturn 2010/11

- 4.1 Summaries of the capital programme by priorities and by service are shown in appendix A together with the overall funding surplus year on year. The full programme is detailed in Appendix B and shows the revised costs of schemes, together with the provisional programme from 2011/12 to 2014/15.
- 4.2 The outturn expenditure for 2010/11 is £3.287 million. This is a reduction of £1.854 million on the forecast reported in the February 3rd quarter monitoring report. The reduction in spend is largely accounted for by slippage of £1.591million into

2011/12 but there are under spends on schemes of £294k which are partly offset by scheme over spends of £31k. A reconciliation of the reduction in spend is detailed in Table 1.

Table 1: 2010/11 Reconciliation of Underspend:

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

Reconciliation of 2010/11 Capital Under Spend

| | £,000 | £'000 |
|---|--------|---------------|
| Working Budget | | 5,141 |
| Slippage | -1,591 | |
| Scheme under-spend (outturn lower than original budget) | -294 | |
| Scheme over-spend (outturn higher than original budget) | +31 | |
| Net increase/decrease in expenditure | | -1,854 |
| Year End Outturn | | 3,287 |

4.3 Table 2 contains a list with explanations of the schemes where there was less expenditure incurred by the 31st March 2010 than expected and the budget is required to be slipped into 2011/12.

Table 2: 2010/11 Scheme Slippage:

| Scheme | 2010/11 Working Budget £'000 | 2010/11 Actual Spend £'000 | Variance £'000 | Reason |
|--|---------------------------------|-------------------------------|-------------------|---|
| Howard Park & Gardens Total scheme estimate: £2.8million. | 1,130 | 588 | -542 | The contractors project plan bought forward works on the gardens before the more expensive works on the park and paddling pool. The significant proportion of the costs of the project are therefore to be incurred in 2011/12. A change in the timeframe for the de-commission and landscaping of Birds Hill car park has required an increase of £60k on the 2011/12 budget. It had been anticipated that this expenditure would not have taken place until 2013/14 due to an agreement with LGCHF which has now changed. The decision to bring forward this element of the project requires formal approval by the Project Board. Council Priority: Green Issues |
| Car Park Management Systems Total scheme estimate: £300k. | 300 | 0 | -300 | During the process of awarding a contract for this scheme the Council received a procurement challenge. This will need to be resolved before the project can continue. Council Priority: Town Centres |
| Relocation of IT Server Room Total scheme estimate: £113k. | 113 | 0 | -113 | An order has been raised with the supplier to start the building of the new facilities on the 22 nd May. This initial estimated cost will be revised at the first quarter. Council Priority: Continuous Improvement |

| Scheme | 2010/11 Working Budget £'000 | 2010/11 Actual Spend £'000 | Variance £'000 | Reason |
|---|---|---|---------------------------|---|
| Public Convenience Refurbishment programme | 98 | 0 | -98 | The remaining budget in this refurbishment programme is for the facilities in Howard Park and will be completed in 2011/12. Council Priority: Town Centres |
| Area Committee Visioning Budget | 166 | 99 | -67 | The remaining budget is allocated to schemes and will be drawn down as and when required. Council Priority: Sustainable Development |
| Total scheme estimate: £330k. | | | | |
| Royston Civic Office roof replacement | 65 | 2 | -63 | This scheme is on hold while there is further investigation into a potential re-development scheme of the vicinity. The budget has been slipped into 2012/13. Council Priority: Green Issues |
| Total scheme estimate: £65k. | | | | |
| Private Sector Grants | 35 | 41 | +6 | The full budget of £780k was awarded but not all the works completed by the 31 st March. The slippage of £62k will be added to the 2011/12 allocation bringing the total budget for disabled facility and private sector grants in 2011/12 to £842k. Council Priority: Sustainable Development |
| Disabled Facility Grants | 745 | 677 | -68 | |
| Total grants for home improvement and disabled facilities | 780 | 718 | -62 | |
| District Council Office Improvements | 108 | 48 | -60 | Improvements will be completed by the end of June 2011. The works have had to be scheduled to be completed at appropriate times to fit in with the office accommodation move. Council Priority: Town Centres |
| Total scheme estimate: £114k. | | | | |
| Server Strategy | 213 | 157 | -56 | There is some further work required once Virtualisation of the Servers is fully complete by the end of May 2011. Council Priority: Continuous Improvement |
| Total scheme estimate: £240k. | | | | |
| Financial System upgrade | 40 | 2 | -38 | The upgrade is underway and should be fully implemented by the end of September 2011. The existing system will soon become unsupported by the provider and the upgrade will help to enable home-working and future revenue efficiencies through additional functionality. Council Priority: Continuous Improvement |
| Total scheme estimate: £40k | | | | |
| Service at North Herts | 31 | 0 | -31 | The remaining budget for this project has been allocated to the upgrade of the Lagan software which is expected to be implemented during 2011/12. Council Priority: Continuous Improvement |
| Total scheme estimate: £1.412million | | | | |

| Scheme | 2010/11 Working Budget £'000 | 2010/11 Actual Spend £'000 | Variance £'000 | Reason |
|--|-------------------------------------|-----------------------------------|-----------------------|---|
| Green Space Strategy works – Avenue Park renovation Total scheme estimate: £45k. | 45 | 0 | -45 | Expected completion of this scheme is Autumn 2011. The community organisation has now secured external funding of £50k towards the overall project. This was required before the project could get underway. Council Priority: Green Issues |
| Parish Amenities Capital Improvement Fund Total scheme estimate: £1.250million. | 150 | 105 | -45 | The initial fund has been fully awarded to schemes and the final monies will be drawn down as and when required. A further fund of £250k was approved last year which brings the total remaining funds to £345k. Of this a total of £329k has been committed to schemes. Council Priority: Sustainable Development |
| Museum Service Development Total scheme estimate: £3.48million. | 120 | 89 | -31 | The estimated profile of spend will need to be amended as the finer detail of the scheme is finalised. The capital programme currently anticipates total Council spend of £3.48million to be partly funded by £1.2million of third party grants. Council Priority: Town Centres |
| Pay & Display Machines and TRO for Twitchell car park, Baldock Total scheme estimate: £30k. | 30 | 1 | -29 | Objections received during the consultation period for implementing the TRO will be considered fully before this scheme proceeds. Progress is also linked to the procurement challenge for the contract (as described above). Council Priority: Town Centres |
| Other minor slippage on schemes | | | -11 | |
| Total Slippage | | | -1,591 | |

4.4 There are also schemes which commenced and/or finished in 2010/11 but the overall cost of the scheme has changed, these are detailed in Table 3.

Table 3: Changes to Overall Cost of Capital Schemes in 2010/11

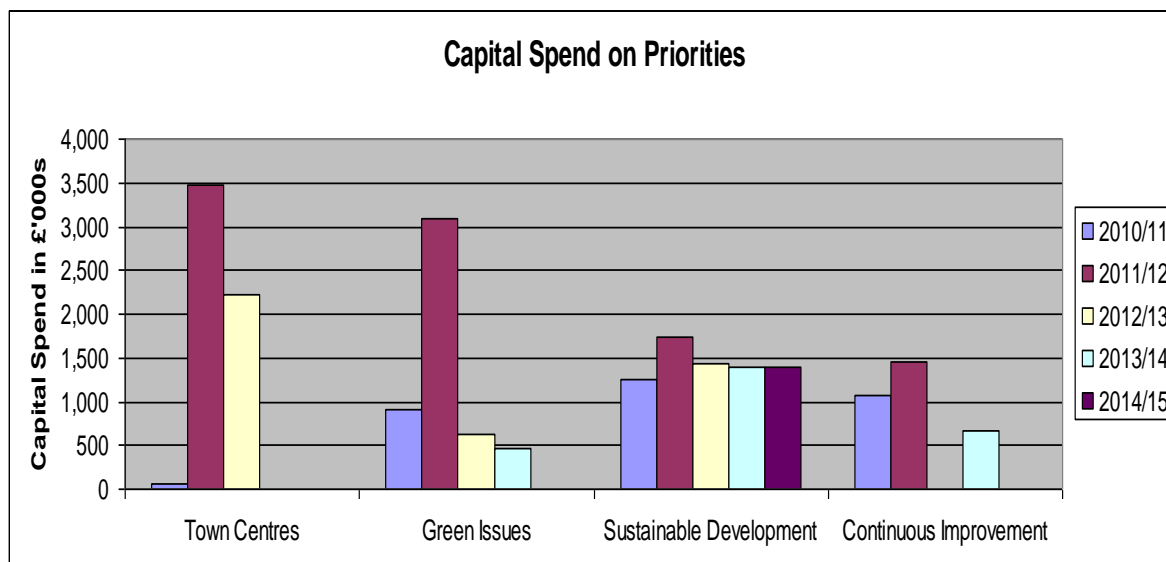
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

| Scheme | 2010/11 Working Budget £'000 | 2010/11 Actual Spend £'000 | Increase/Decrease £'000 | Notes |
|--|-------------------------------------|-----------------------------------|--------------------------------|---|
| Baldock Town Centre Enhancement Total scheme spend: £3.245million | -89 | -223 | -134 | At the end of 2009/10 an estimate was put in the accounts for the final payments for this scheme based on information available at the time. Because the scheme was completed in 2009/10 the costs were reflected in the 2009/10 financial year. After a long period of negotiation with the contractor the final cost to the Council was less than expected resulting in a credit in financial year 2010/11. Council Priority: Town Centres |
| Urban Transport Plans Total scheme spend: £80k. | 0 | 18 | +18 | The £18k is the remaining payment for the Urban Transport Plan and has been funded from the Growth Area Fund (GAF) monies. There is further GAF monies allocated for the implementation of the plan. Council Priority: Town Centres |
| Tenant Cash Incentive Scheme | 105 | 67 | -38 | There is an ongoing allowance in the capital programme for three payments each year. Two were drawn down during 2010/11. Council Priority: Sustainable Development |
| Demolition of former Icknield Way Depot Total scheme spend: £68k. | 98 | 66 | -32 | Demolition was completed in 2010/11 at less than the original estimate. Council Priority: Continuous Improvement |
| North Herts Leisure Centre roof replacement Total scheme estimate: £449k. | 150 | 129 | -21 | The total projected cost of the scheme has been revised to £449k from an approved original budget of £620k. The initial estimate was based on a price provided by a specialist contractor before the award of the contract. Council Priority: Green Issues |
| Disk Storage Array Hardware Total scheme spend: £174k. | 174 | 149 | -25 | This stage of updated storage hardware is complete. Further work is underway to review back-up demands and future storage requirements. This may result in a capital investment bid in the Corporate Business Planning process. Council Priority: Continuous Improvement |
| Other minor variances | | | -31 | |
| Total Increase In Expenditure | | | -263 | |

Link to the Council's priorities

- 4.5 The total programme from 2010/11 to 2014/15 of £21.158million consists of £17.991million of investment towards the three priorities of Town Centres, Sustainable Development and Green Issues and £3.169million of other investment for continuous improvement in services.

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



Capital Funding 2010/11

- 4.6 The funding sources required for the 2010/11 capital programme have reduced by £1.854million since the third quarter monitoring report. This is due to the slippage and changes to the capital programme detailed above. The balance of useable capital receipts at 1st April 2010 that were available to fund capital expenditure for 2010/11 and onwards was £2.729million.
- 4.7 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 2010/11 a total of £0.796million of third party contributions and grants has been used to fund the capital programme.
- 4.8 The application of capital receipts of £1.890million to fund the 2010/11 programme requires Cabinet approval. This is £1.128million less than the amount of capital receipts expected to be applied in 2010/11 in the working budget. The remaining balance of useable capital receipts as at 31st March 2011, available to fund capital expenditure for 2011/12 onwards, is £1.092million.

Capital Programme 2011/12 and Onwards

- 4.9 The programme shown in Appendix B, includes the 2011/12 Corporate Business Planning Investment proposals which were approved by Members at Full Council on the 10th February 2011.
- 4.10 The capital programme for 2011/12 has increased by £1.363million to £9.706million from the working budget of £8.343million. This is due to the scheme slippage from 2010/11, detailed in table 2 partly offset by a reduced estimate for the cost of the North Herts Leisure Centre roof replacement and the Green Space Strategy sports action plans.

Asset Disposals to Fund the 2011/12 Capital Programme onwards

- 4.11 There were two asset disposals in 2010/11 which, together with a minor amount of mortgage receipts, provided a total of additional available capital receipts of £253k. The disposals were land items at Radwell Lane, Radwell and Roman Road, Graveley. The asset disposal programme has been reviewed in the light of current market conditions and the projected capital receipts due for 2011/12 is now £4.1million.
- 4.12 It is anticipated at this stage that the Council will have used all of the available capital receipts during 2012/13. If asset disposals are not forthcoming this could

happen during 2011/12. The Council has the option of prudential borrowing for the capital programme and Members have already given authority for borrowing towards the Museum development scheme. Officers are continuing to progress the potential option of using the Council's set aside housing receipts for the funding of the capital programme and Members will receive a report on this topic at a future meeting. It should be noted however, that the use of any of the Council's own resources will produce a cost for the general fund which will need to be considered in the general fund estimates and the setting of council tax.

Managing Risk

- 4.13 The Authority can call upon prudential borrowing or the disposal of its non-core assets if needed and if considered affordable.
- 4.14 The Authority operates a 10% tolerance limit on capital projects and on this basis over the next four-year programme a funding reserve of £1.781 million is required. 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.

5. LEGAL IMPLICATIONS

- 5.1 The Cabinet 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.
- 5.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

6. FINANCIAL AND RISK IMPLICATIONS

- 6.1 The main financial implications are covered in section 4 of the report. The total capital programme is fully funded in 2011/12 providing asset disposals are forthcoming.
- 6.2 Management of risk is referred to in paragraphs 4.13 to 4.14 above.

7. HUMAN RESOURCE AND EQUALITY IMPLICATIONS

- 7.1 There are no direct human resource or employee equality implications.

8. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 8.1 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.

9. RECOMMENDATIONS

- 9.1 That Cabinet approves expenditure of £3.287million in 2010/11 on the capital programme, paragraph 4.2 refers.
- 9.2 That Cabinet approves the application of £1.890million of capital receipts towards the 2010/11 capital programme, paragraph 4.9 refers.

- 9.3 That Cabinet considers the changes to the capital programme for 2011/12 and onwards, a net increase of £1.363million in 2011/12, as a result of the slippage detailed in table 2 and reductions in the North Herts Leisure Centre roof replacement scheme and the Green Space Strategy schemes and recommends to Council approval of the revised programme for 2011/12 and onwards.
- 9.4 That Cabinet notes the position of the availability of capital resources as described in paragraphs 4.11 to 4.13 and the requirement to keep the capital programme under review for affordability.

10. REASONS FOR RECOMMENDATIONS

- 10.1 Cabinet is required to approve the revisions to the capital programme for 2010/11 and onwards as detailed in appendix B.
- 10.2 Cabinet is required to approve the application of capital receipts towards the 2010/11 capital programme as part of its year end procedures.
- 10.3 Cabinet is required to ensure that the capital programme is fully funded.

11. APPENDICES

- 11.1 Appendix A, Capital Programme Summary 2010/11 onwards.
Appendix B, Capital Programme Detail 2010/11 onwards,

12. CONTACT OFFICERS

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13. BACKGROUND PAPERS

- 13.1 2010/11 Financial Ledger.