

<b>CABINET</b> 27 September 2011
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<b>DRAFT</b>	<b>AGENDA ITEM No.</b>
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**FIRST QUARTER CAPITAL MONITORING 2011/12**

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

**1. PURPOSE OF REPORT**

- 1.1 To update Cabinet on the capital programme for 2011/12, as at the end of June 2011, indicating its impact upon the 2012/13 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2011/12 onwards.

**2. FORWARD PLAN**

- 2.1 This report contains a recommendation on a key decision that was referred to in the Forward Plan on 1 June 2011.

**3. BACKGROUND**

- 3.1 Members were advised in June of the outturn position of the capital programme for the financial year 2010/11. Total capital expenditure in 2010/11 was £3.287million and a remaining useable capital receipt balance of £2.729million was available as at 1 April 2011. The projected capital expenditure for 2011/12 at this time was £9.706million.
- 3.2 The June report advised Members that after considering the current expenditure programme and the expected capital receipts from the asset disposal programme the Council would have used all of the available capital receipts during 2012/13. However, If asset disposals were not forthcoming this could happen during 2011/12. Members were also reminded the Council has the option of prudential borrowing for the capital programme and that Members had already given authority for borrowing towards the Museum development scheme. At the time of the June report officers were still continuing to progress the potential option of using the Council's set aside housing receipts for the funding of the capital programme and a report on this topic would follow.

**4. CAPITAL PROGRAMME****Capital Programme 2011/12**

- 4.1 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 2011/12 to 2013/14. The anticipated funding source for each capital scheme is shown in appendix C.

4.2 The projected expenditure for 2011/12 (including all the changes detailed in the paragraphs that follow) is now £7.790million. This is a decrease of £1.916million over that previously reported in June. The decrease in spend is partly due to a revision in the timetable for completion of schemes, leading to slippage into 2012/13 of £1.934million, partly due to a net decrease of spend on schemes of £132k and offset with a new capital scheme of £150k, detailed in paragraph 4.5.

4.3 Table 1 lists the schemes now projected to slip into 2012/13:

**Table 1: 2011/12 Scheme slippage:**

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

Scheme	2011/12 Working Budget £'000	2011/12 Revised Projection £'000	Variance £'000	Reason
Housing Association Grant – Jephson	92	0	-92	The scheme at Ling Dynamics has been re-forecast and is now expected to be completed in August 2012 rather than March 2012. This takes completion, and the final payment, into the next financial year
Jackman's Pavilion	50	0	-50	No external groups have approached the Council with a proposal to rebuild a pavilion on this site so the £50k contribution towards the scheme will not be required in 2011/12
Bancroft Park renovation	95	0	-95	The scheme to renovate Bancroft is still being developed. The capital allowance of £95k will be required in a future year as match funding towards external grants
Bancroft Sports Facilities	150	0	-150	The scheme to renovate Bancroft including a MUGA is still being developed. The capital allowance of £150k will be required in a future year as match funding towards external grants.
Museum Service Development	1,537	130	-1,407	In light of the revised project plan reported to Members in July the scheme has been re-profiled with the majority of the construction to take place in 2012/13 and the fit-out in 2013/14. Completion in winter 2013.
Warren Car Park re-development	100	0	-100	The timing of this project has been revised so that the outcome of the development brief for the Civic Centre site in Royston can be incorporated.
Various schemes	1,370	1,330	-40	A re-profile of various schemes to reflect the holding of retention monies.
<b>Total Slippage</b>			<b>-1,934</b>	

4.4 There are also changes to the overall costs of schemes in 2011/12. These changes total a decrease of £132k and are detailed in Table 2:

**Table 2: Changes to Capital Schemes Commencing in 2011/12:**

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

Scheme	2011/12 Working Budget £'000	2011/12 Revised Projection £'000	Increase/Decrease £'000	Notes
Hitchin and Royston Fitness Equipment	375	206	-169	The final cost of the new Technogym equipment was significantly lower than first estimated. This investment is funded by a reduction in the Leisure Management contract payments to Stevenage Leisure Ltd.
Relocation of IT server room	113	150	+37	The original estimate of £113k was based on quotes received before the work was tendered. The cheapest bidder stopped trading and the £150k is based on the contract with the second choice supplier.
			-132	

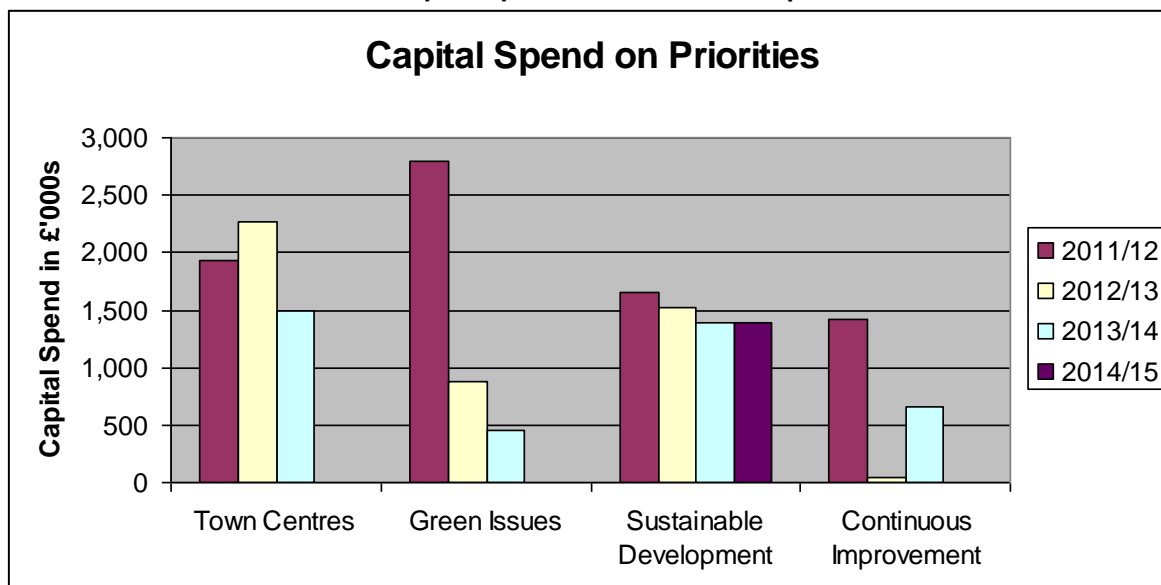
**New capital scheme**

- 4.5 There are various roof leaks at Westmill Community Centre which cannot be repaired successfully due to the overall poor condition of the roof. The only solution available is to replace the roof, hence the reason for this emergency request for capital funding. The project will entail the replacement of existing asbestos corrugated sheet roofing with new a composite corrugated metal sheet roofing and is expected to cost £150,000.

**Link to the Council's Priorities**

- 4.6 The total programme from 2011/12 to 2014/15 of £17.889million contributes towards the three priorities of Town Centres, Sustainable Development and Green Issues, as demonstrated in Chart 1.

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



**Capital Programme 2011/12 Funding onwards**

- 4.7 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2011/12 and onwards is £2.729million. The 2011/12 capital programme requires a total of £4.406million of capital receipt funding. It is not anticipated at the current time that capital receipts from asset disposals during the year will meet the £1.7million gap and prudential borrowing will be needed at some stage during the year.

- 4.8 The operational boundary for borrowing in the Treasury Strategy is sufficient to allow this level of borrowing. Officers are continuing to discuss with the external auditors whether the Council has the option to use some of the set aside (housing stock) receipts that are in reserves. If this is possible it may be more beneficial to do this than to borrow externally. However, a full financial analysis will be undertaken at the time.
- 4.9 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 2011/12 a total of £3.178million of third party contributions and grants is expected to be applied.
- 4.10 The total estimated use of capital receipts over the four years 2011/12 to 2014/15 to fund the capital programme is £9.8million.
- 4.11 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 borrowing.

## **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 Authority can call upon borrowing or the disposal of its non-core assets if needed and if considered affordable.
- 6.2 The Authority operates a 10% tolerance limit on capital projects and on this basis over the next four-year programme a funding reserve of £1.789million is recommended. A funding surplus is not expected to be available at the end of 2014/15 and a continual review will seek to manage the capital programme with available resources.

## **7.0 HUMAN RESOURCE AND EQUALITY IMPLICATIONS**

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

## **8.0 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 the changes to the projected capital programme for 2011/12 onwards arising as a result of scheme slippage, identified in paragraph 4.3, table 1, a decrease in expenditure in 2011/12 of £1.934million.

- 9.2 That Cabinet approves the changes to the projected capital programme for 2011/12 arising as a result of changes to the capital schemes, identified in paragraph 4.4, table 2, a decrease in expenditure of £132,000.
- 9.3 That Cabinet approves a total investment of £150,000 for the roof replacement at Westmill Community Centre, as described in paragraph 4.5.

## **10. REASONS FOR RECOMMENDATIONS**

- 10.1 Cabinet is required to approve revisions to the capital programme.
- 10.2 Cabinet is required to ensure that the capital programme is fully funded.

## **11. APPENDICES**

- 11.1 Appendix A, Capital Programme Summary 2011/12 onwards.  
Appendix B, Capital Programme Detail 2011/12 onwards,  
Appendix C, Capital scheme Funding 2011/12 onwards,

## **12. CONTACT OFFICERS**

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## **13. BACKGROUND PAPERS**

- 13.1 2011/12 Financial Ledger.