

CABINET

13 December 2011

AGENDA ITEM No.

SECOND 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 September 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 September 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.
- 3.3 The 1st quarter monitoring report advised that the projected expenditure for 2011/12 had decreased by £2.066million to £7.640million. This decrease in spend was mainly due to a revision in the timetable for completion of schemes, leading to slippage into 2012/13 of £1.934million. Despite this slippage it was expected that some prudential borrowing would be needed during the course of the year to fund some of the capital programme.

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 £6.957million. This is a decrease of £683k over that previously reported in September. The decrease in spend is partly due to a revision in the timetable for completion of schemes, leading to slippage into 2012/13 of £802k and partly due to an increase of spend on schemes of £119k.
- 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 Grants	408	320	-88	The remaining 2011/12 allocation of £408k remains unallocated to any particular scheme. However, if Members approve a recently submitted bid from Howard Cottage Housing Association it is likely £320k will be paid in this financial year with the remaining £88k being spent in 2012/13.
Hitchin Swimming Pool Car Park Extension	278	0	-278	The majority of spend on this scheme is now expected in 2013/14. The process of agreeing a land swap with the Cow Commoners is ongoing. Once agreed planning and section 38 approval will be needed before the specification can be finalised and the contract tendered. Cost estimates will need to be refreshed and a revised estimate will be provided to Members before the works are contracted.
Parish Amenities Capital Improvement Fund	296	119	-177	The majority of the funds are committed to schemes. It is anticipated £119k will be needed this financial year with the remainder being spent in 2012/13.
Great Ashby Community Centre Extension	322	225	-97	The latest project plan anticipates project completion at the end of April 2012.
North Herts Leisure Centre Roof Replacement	312	150	-162	The latest project plan anticipates project completion at the end of May 2012.
Total Slippage			-802	

- 4.4 There are also changes to the overall costs of schemes in 2011/12. These changes total an increase of £119k and are detailed in Table 2:

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

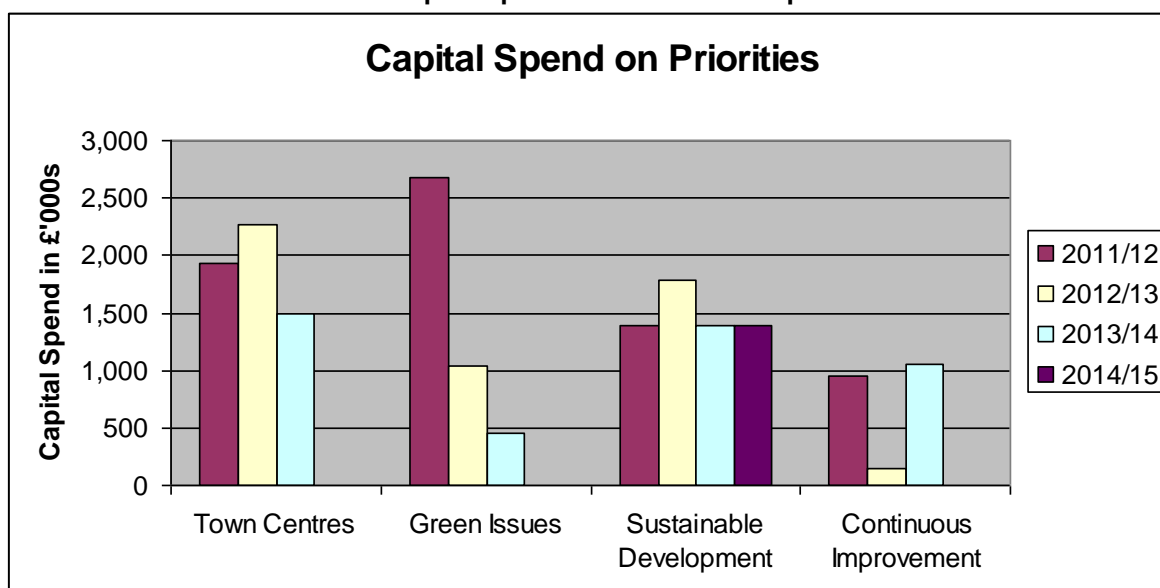
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2011/12 Working Budget £'000	2011/12 Revised Projection £'000	Increase/Decrease £'000	Notes
Howard Park and Gardens Total project: £3.057million	1,880	1,930	+50	Agreed variations to the contract specification approved by Project Board and Finance Portfolio Holder. Project anticipated to be complete in this financial year.
Contaminated Land Project, Lumen Road, Royston.	0	69	+69	Following an application to the Environment Agency the Council has been awarded a grant to fund the remediation of contaminated land at the former gas works. The grant funding is expected to cover the full cost of the project.
			+119	

Link to the Council's Priorities

- 4.5 The total programme from 2011/12 to 2014/15 of £17.857million contributes towards the three priorities of Town Centres, Sustainable Development and Green Issues, as demonstrated in Chart 1. There are a total of 40 separate schemes either completed, underway or due to start in 2011/12. A further 10 schemes are due to begin in 2012/13 and 4 in 2013/14. No new schemes are anticipated yet for 2014/15.

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



Capital Programme 2011/12 Funding onwards

- 4.6 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 £3.732million of funding from either capital receipts or borrowing. It is not anticipated at the current time that capital receipts from asset

disposals during the year will meet the £1million gap and prudential borrowing will be needed in the latter stages of the year.

- 4.7 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.
- 4.8 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 2011/12 a total of £3.150million of third party contributions and grants is expected to be applied.
- 4.9 The total estimated use of capital receipts or borrowing over the four years 2011/12 to 2014/15 to fund the capital programme is £11.8million. This assumes all grant applications are successful, including the application for just under £1million of Heritage Lottery Funding towards the North Hertfordshire Museum project.
- 4.10 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 the cost 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 £1.786million 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. 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 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 £802k.
- 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, an increase in expenditure of £119k

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,

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13. BACKGROUND PAPERS

- 13.1 2011/12 Financial Ledger.