

**FINANCE, AUDIT AND RISK COMMITTEE
20 SEPTEMBER 2012**

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

11

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2012/13

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 2012/13, as at the end of June 2012, indicating its impact upon the 2013/14 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2012/13 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 2012.

3. BACKGROUND

- 3.1 Members were advised in June of the outturn position of the capital programme for the financial year 2011/12. Total capital expenditure in 2011/12 was £4.784million and a remaining useable capital receipt balance of £1.197million was available as at 1 April 2012. The projected capital expenditure for 2012/13 at this time was £7.989million.
- 3.2 The June report advised Members that Officers had received advice from Treasury Advisors who recommended that, given the extent to which the CFR is negative, capital expenditure can be funded by drawing down cash investments (set aside receipts). They also advised that it is not likely it would be considered prudent to raise any more external borrowing. In other words such action could be considered to be in breach of the requirements of S.1 of the Local Government Act 2003. The Council's external auditors reviewed the drawing down of £2million of cash investments for the funding of the 2011/12 capital programme as part of the audit of the accounts and did not raise it as an issue.

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 2012/13 to 2015/16. The anticipated funding source for each capital scheme is shown in appendix C.
- 4.2 The projected expenditure for 2012/13 (including all the changes detailed in the paragraphs that follow) is now £8.228million. This is an increase of £239k over

that previously reported in June. The increase in spend is partly due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £690k, partly due to a net decrease in the expected spend on schemes of £80k and partly due to two new projects not previously included in the capital programme which total a net increase of £1.009million.

4.3 Table 1 lists the schemes now projected to start in future years:

Table 1: 2012/13 Scheme Timetable Revision:

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

Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Variance £'000	Reason
Parish Amenities Capital Improvement Fund	197	72	-125	A total of £72k of the remaining committed funds are expected to be drawn down this financial year.
Warren Car Park redevelopment	100	0	-100	Attention will turn to this scheme after the Royston Civic Site redevelopment work, when the economic climate is right. Revised start date of 2014/15.
Town Centre on-street parking pay and display	235	0	-235	Outcome from the pilot scheme is required before this scheme is progressed.
Bancroft Sports Facilities	150	0	-150	Outcome from a lottery bid is required before this scheme can progress. Revised start date of 2014/15.
Replacement of Walsworth Common Access Bridge	80	0	-80	Re-prioritisation of schemes undertaken by the Property Services Team. Revised start date of 2013/14.
Total Slippage			-690	

4.4 There are also changes to the overall costs of schemes in 2012/13. These changes total a decrease of £80k and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2012/13:

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

Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Increase/Decrease £'000	Notes
Replacement of Car Park Pay & Display Machines	295	175	-120	New pay and display machines have been installed at less than the budgeted cost.
Letchworth Multi-Storey Car Park improvements	284	324	+40	Improved lighting is one aspect of the improvements planned for the car park. On further investigation it has become apparent that the reduced electricity used by installing Light Emitting Diode (LED) Lighting rather than the planned fluorescent lighting would result in a reduction in the annual energy bill of approximately £6k. The cost of installation is higher but payback should be within 7 years.
			-80	

- 4.5 There are two new capital schemes for inclusion in the 2012/13 programme which total a net increase of £1.009million and are detailed in Table 3:

Table 3: New Capital Schemes Commencing in 2012/13:

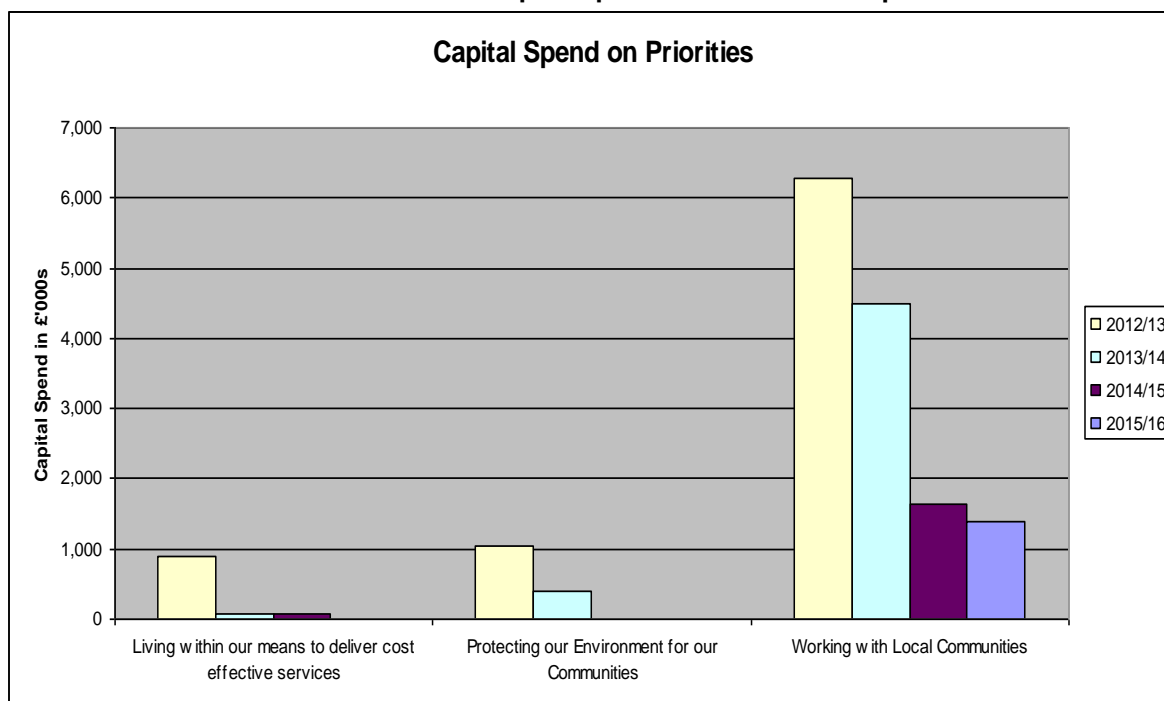
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Increase/ Decrease £'000	Notes
Local Authority Mortgage Scheme (LAMS)	0	1,000	+1,000	At the July meeting Cabinet resolved to recommend to Council the adoption of a £1million scheme to be match funded by the County Council. Initial guidance suggests this scheme should be accounted for as capital expenditure and as such should be an approved capital scheme. Officers are seeking confirmation of this treatment but in the meantime Members are asked to approve the inclusion of LAMS as a capital scheme.
Generic Import Module upgrade - Partly offset by another IT scheme which will no longer progress	0 11	20 0	+20 -11	GIM (Generic Import Module) is used by the Corporate Document Management System, Information@Work (I@W) to automatically index a range of documents from back office systems into I@W. This automates a process, which if it had to be done manually, would need a considerable amount of staff resource. The current version of GIM is unsupported and following a mandatory upgrade of I@W the current version will no longer be compatible. Due to short timeframes the Portfolio Holder has given his delegated authority for this new scheme to progress ahead of reporting to Cabinet. The Portfolio Holder was also informed that a previously approved scheme for the integration of the Revenues and Benefits system with I@W no longer needs to proceed as an acceptable work around has been found.
			+1,009	

Link to the Council's Priorities

- 4.6 The total programme from 2012/13 to 2015/16 of £16.3million contributes towards the three priorities of;
- Living within our means to deliver cost effective services
 - Protecting our Environment for our Communities
 - Working with Local Communities

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



Capital Programme 2012/13 Funding onwards

- 4.7 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2012/13 and onwards is £1.197million. The 2011/12 capital programme requires a total of £6.8million from the Council's capital resources. As a result it will be necessary to draw down approximately £6.5million from the Council's set aside receipts to fund the current programme. Council land has been identified for disposal but in the current market it would not be prudent to anticipate those receipts this financial year.
- 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 2012/13 a total of £1.3million of third party contributions and grants is expected to be applied. This includes £300k of S106 receipts.
- 4.9 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 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. £6million currently earns the Authority approximately £132,000 a year in interest.

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 it should be anticipated that the total spend over the period could be £1.6million higher than the estimated £16.3million. 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.

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 2012/13 onwards arising from the re-profiling of schemes, identified in paragraph 4.3, table 1, a decrease in expenditure in 2012/13 of £690,000.
- 9.2 That Cabinet approves the changes to the projected capital programme for 2012/13 arising as a result of changes to the capital schemes, identified in paragraph 4.4, table 2, a decrease in expenditure of £80,000.
- 9.3 That Cabinet approves the inclusion of the two new schemes in the capital programme for 2012/13, identified in paragraph 4.5, table 3, an increase in expenditure of £1.009million.

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 2012/13 onwards.
- 11.2 Appendix B, Capital Programme Detail 2012/13 onwards,
- 11.3 Appendix C, Capital scheme Funding 2012/13 onwards,

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13. BACKGROUND PAPERS

- 13.1 2012/13 Financial Ledger.