

TITLE OF REPORT: SECOND QUARTER CAPITAL MONITORING 2012/13

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

This report is in draft format and will be presented in final version to Cabinet at the meeting to be held on 11 December 2012. This Committee is requested to review and note the report and that the Strategic Director of Finance, Policy and Governance to take note of any comments raised.

1. PURPOSE OF REPORT

- 1.1 To update Cabinet on the capital programme for 2012/13, as at the end of September 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 September 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.
- 3.3 In September Members approved a revised projected expenditure for 2012/13 of £8.228million. This was an increase of £239k over that previously reported in June. The increase in spend was 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 totalled a net increase of £1.009million.

4. CAPITAL PROGRAMME

Capital Programme 2012/13

- 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 £6.505million. This is a decrease of £1.722million 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 the re-profiling into future years of £1.703million, partly due to a net decrease in the expected spend on schemes of £62k and partly due to a new project not previously included in the capital programme with a cost of £43k.
- 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
North Hertfordshire Museum and Community Facility Total Scheme: £4.2million	1,830	150	-1,680	Following Council's decisions on the 15 October 2012 this scheme is now underway. The project plan has been updated to reflect the revised timescales and the estimated profile of the budget amended as necessary. The majority of spend will occur in financial years 2013/14 and 2014/15. The total scheme cost has also been amended from £3.5million to £4.2million to reflect the spend on the project to be funded by the Adventure Capital Fund.
Reconstruction of Lower Gower Road, Royston	73	0	-73	Re-prioritisation of schemes undertaken by the Property Services Team. Revised start date of 2013/14.
Structural repairs to Hitchin Swimming Centre	30	0	-30	Re-prioritisation of schemes undertaken by the Property Services Team. Revised start date of 2013/14.
Walsworth Common Access Bridge replacement	0	80	+80	Re-prioritisation of schemes undertaken by the Property Services Team. Revised start date of 2012/13.
Total Revision to Budget Profile in 2012/13			-1,703	

- 4.4 There are also changes to the overall costs of schemes in 2012/13. These changes total a decrease of £62k 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)

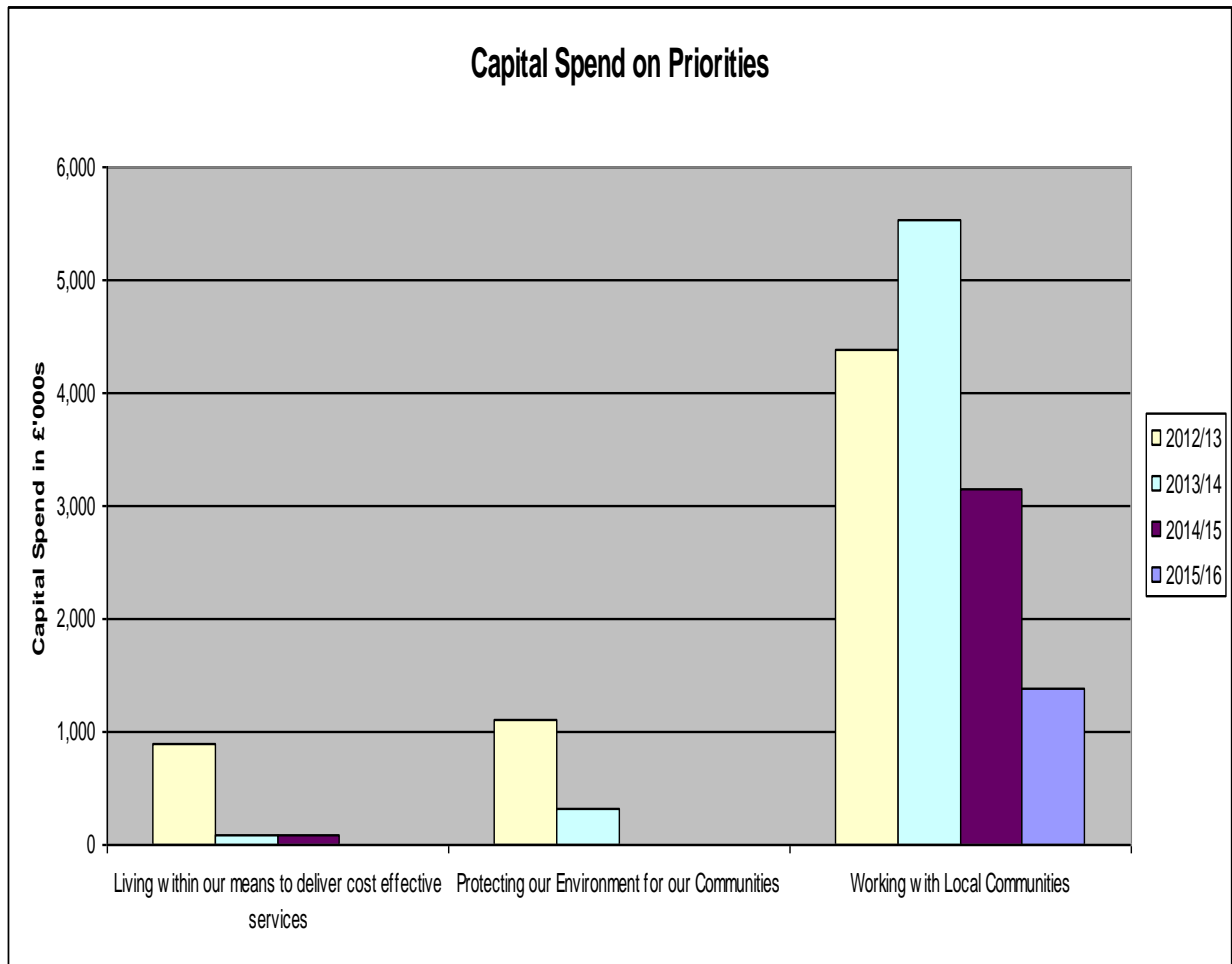
Scheme	2012/13 Working Budget £'000	2012/13 Revised Projection £'000	Increase/ Decrease £'000	Notes
Structural Repairs to Letchworth Town Hall	33	0	-33	Following the signing of the lease of Letchworth Town Hall to North Hertfordshire College, the Council no longer needs to undertake these works.
Raw Data Management Solution (LaserServe)	18	0	-18	This scheme is not progressing as more investigation is undertaken to identify a Corporate wide solution.
Other minor changes			-11	
			-62	

- 4.5 There is one new capital scheme for inclusion in the 2012/13 programme. This is for the purchase of 160 new PCs, at a total cost of £43k, as part of the replacement programme. The existing stock is between nine and eleven years old and is not capable of running windows 7. The Council has received notification that Windows XP will be de-supported by Microsoft later this year. The Finance and IT Portfolio Holder approved this scheme under delegated authority, ahead of this meeting of Cabinet, to allow the order to be placed and the project to proceed.

Link to the Council's Priorities

- 4.6 The total programme from 2012/13 to 2015/16 of £17million 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 2012/13 capital programme requires a total of £5million from the Council's capital resources. As a result it will be necessary to draw down approximately £4.6million 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. £5million currently earns the Authority approximately £110k 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 £1.7million higher than the estimated £17million. 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. 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 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 £1.703million.
- 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 £62k.
- 9.3 That Cabinet notes the inclusion of the new scheme in the capital programme for 2012/13, identified in paragraph 4.5, an increase in expenditure of £43k.

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

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13. BACKGROUND PAPERS

- 13.1 2011/12 Year End Statement of Accounts
- 13.2 2012/13 Budget Estimates Book.