

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2013/14

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

Please note that this report is in a draft format prior to presentation to Cabinet on 24 September 2013 and the Finance, Audit and Risk Committee are invited to review this draft report for noting and comment as appropriate.

1. SUMMARY

- 1.1 To update Cabinet on the capital programme for 2013/14, as at the end of June 2013, indicating its impact upon the 2014/15 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2013/14 and onwards.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the changes to the projected capital programme for 2013/14 onwards arising from the re-profiling of schemes, identified in paragraph 8.3, table 1, a decrease in expenditure in 2013/14 of £1.706million.
- 2.2 That Cabinet approves the changes to the projected capital programme for 2013/14 arising as a result of changes to the capital schemes, identified in paragraph 8.4, table 2, an increase in expenditure of £664k.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve revisions to the capital programme.
- 3.2 Cabinet is required to ensure that the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 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.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was referred to in the Forward Plan on 26 June 2013.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for the financial year 2012/13. Total capital expenditure in 2012/13 was £2.472million and a remaining useable capital receipt balance of £1.2million was available as at 1 April 2013. The projected capital expenditure for 2013/14 at this time was £10.420million.
- 7.2 Members were reminded that the capital programme would 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. £1.2million currently earns the Authority approximately £12k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments.
- 7.3 The Medium Term Financial Strategy for 2014 to 2019 confirmed the Council will seek opportunities to utilise capital funding (including prudent use of the set aside receipts) for invest to save schemes and proposals that generate higher rates of return than investments. This is one way the Council will allocate resources to support organisational transformation that will improve services to the public and represent value for money in line with the Council's priorities.
- 7.4 The Council will ensure the level of planned capital spending in any one-year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

8. ISSUES

Capital Programme 2013/14

- 8.1 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 2013/14 to 2016/17. The anticipated funding source for each capital scheme is shown in Appendix C.
- 8.2 The projected expenditure for 2013/14 (including all the changes detailed in the paragraphs that follow) is now £9.378million. This is a decrease of £1.042million 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 the re-profiling into future years of £1.706 million and partly due to a net increase in the expected spend on schemes of £664K.

8.2 Table 1 lists the schemes now projected to start or continue in 2014/15:

Table 1: Scheme Timetable Revision:

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

Scheme	2013/14 Working Budget £'000	2013/14 Revised Projection £'000	Variance £'000	Comments
Housing Association Grants	1,414	310	-1,104	There are funds of £1.096million earmarked for the regeneration of John Barker Place, Hitchin, by the provision of a grant to North Hertfordshire Homes to enable the delivery of affordable housing. There are also funds earmarked for provision of a grant of £380,000 to Howard Cottage Housing Association to enable delivery of affordable housing at Dark Lane, Sandon. The majority of these grants are expected to be payable in 2014/15.
Re-roofing of the Council Chamber,	75	150	+75	This scheme was profiled to complete over 2013/14 and 2014/15. The works have been more urgent than first thought and all the budget will now be spent in 2013/14.
Careline Community Alarms	34	20	-14	Re-profile of the expected timing of spend for community alarms which will continue in 2014/15.
Cycle Strategy Implementation	278	0	-278	Re-profile of the expected timing of the delivery of the cycle strategy following the resignation of the lead officer.
Pay & Display Machines for charging for On Street parking	235	0	-235	A trial is to be run before consideration is given to roll-out charging for on-street parking. A budget of £50k is earmarked for the trial in 2013/14. Timings are being re-considered given the resignation of the lead officer
Letchworth Multi-storey car park – parapet walls and soffit	150	0	-150	Works to improve the lighting in the car park have been prioritised and are underway. This improvement work to the car park is now planned to be completed in 2014/15.
Total Revision to Budget Profile			-1,706	

8.4 There are also changes to the expected overall costs of schemes in 2013/14. These changes total an increase of £683K and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2013/14:

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

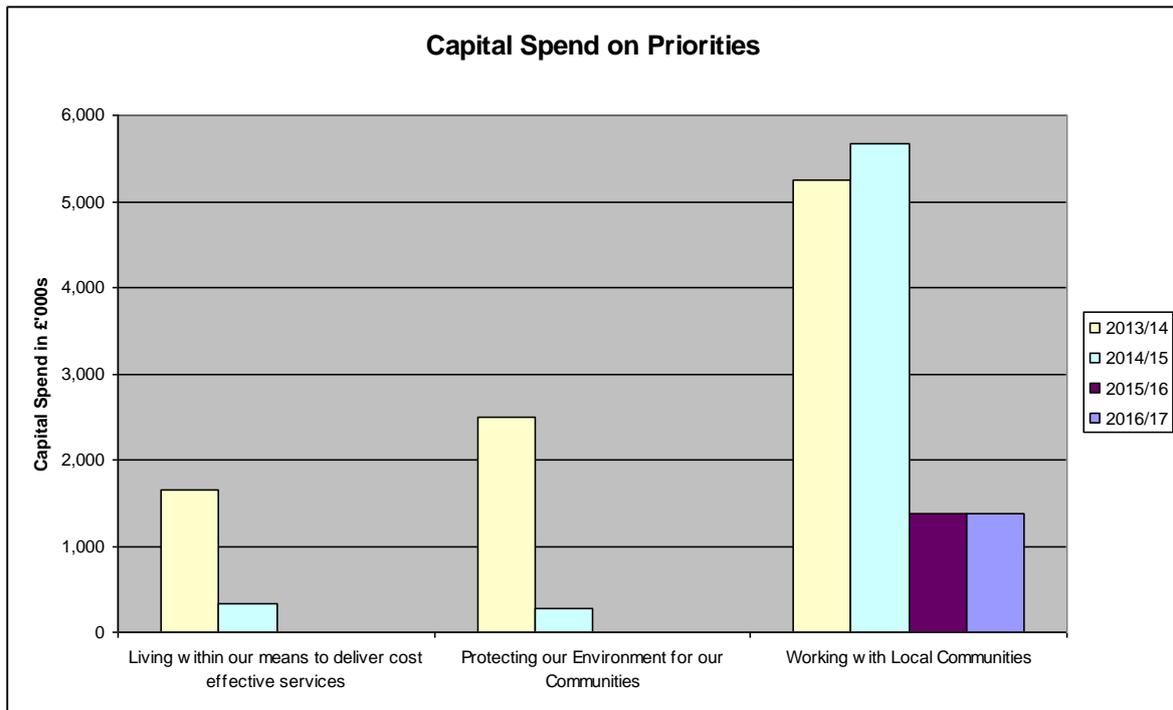
Scheme	2013/14 Working Budget £'000	2013/14 Revised Projection £'000	Increase/Decrease £'000	Notes
Rural Community Halls Grant Scheme	73	186	+113	Members agreed this scheme at the March meeting of Cabinet. De-committed funds of £73k have been transferred from the Parish Amenities Capital Improvement Fund. A further £113k has been made available via the earmarking of Performance Reward Grant via the Local Strategic Partnership.
Baldock Town Hall Project	0	50	+50	At the Council meeting on the 11 April it was agreed that up to £50k would be spent on essential works to the Town Hall and up to £90k would subsequently be made available for future phases of the project. The profile of the spend of these funds will need to be monitored and reviewed on a ongoing basis.
S106 Projects	0	10	+10	Low value amounts of S106 monies are awarded into the community when the relevant criteria of the agreement is met by a project. This spend is included here in the capital programme for the transparency of the funds entering and leaving the Council's accounts.
Content Cleansing Software	30	0	-30	This functionality has been covered by other software (Active Navigation) that has recently been purchased.
Weekly Collection of Waste from flats	0	500	+500	This scheme was approved by Members following the award of a grant from DCLG to cover the cost of implementing and running the weekly collection of waste from flats.
Other minor changes			+21	
			+664	

Link to the Council's Priorities

8.5 The total programme from 2013/14 to 2016/17 of £18.5million 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 2013/14 Funding onwards

- 8.6 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2013/14 and onwards is £1.243million. The 2013/14 capital programme of £9.4million requires a total of £7.1million from the Council's capital resources. As a result it will be necessary to draw down approximately £5.8million from the Council's set aside receipts to fund the current programme. Council land has been identified for disposal and it is hoped completed sales will generate receipts of approximately £2.5million this financial year. Use of the set aside receipts will increase the Council's Capital Financing Requirement by £6million and will impact on the Treasury activity of the Council. There will be a balance of £2.4million remaining in useable capital receipts at 1 April 2014 for funding of future capital spend.
- 8.7 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 2013/14 a total of £2.2million of third party contributions and grants is expected to be applied. This includes £494k of S106 receipts.
- 8.8 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. £1.2million currently earns the Authority approximately £12k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference specifically include "to monitor expenditure on the capital programme". The Cabinet also 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.

- 9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in Section 8 of the report. The Authority can call upon disposal of its non-core assets if needed and if considered affordable.
- 10.2 The Authority operates a 10 per cent 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 £1.85million higher than the estimated £18.5million. 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.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate against the risk of a project not achieving the agreed objectives.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These should be recorded on a project risk log which will be considered by the Project Board (if applicable).

12. EQUALITIES IMPLICATIONS

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.3 For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct human resource implications.

15. APPENDICES

15.1 Appendix A, Capital Programme Summary 2013/14 onwards.

15.2 Appendix B, Capital Programme Detail 2013/14 onwards,

15.3 Appendix C, Capital scheme Funding 2013/14 onwards,

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17. BACKGROUND PAPERS

17.1 2012/13 Year End Statement of Accounts

17.2 2013/14 Budget Estimates Book.