

*This report is in draft format and will be presented to Cabinet on 10 December 2013.*

**TITLE OF REPORT: SECOND QUARTER CAPITAL MONITORING 2013/14**

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

**1. SUMMARY**

- 1.1 To update Cabinet on the capital programme for 2013/14, as at the end of September 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 £1.043million.
- 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 £583k.
- 2.3 That Cabinet notes the changes to the projected capital programme, that total an increase of £583k, have yet to include a figure for the decision by Council to increase expenditure in 2013/14 for the purchase of the District Council Offices.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 Cabinet is required to monitor and 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 28 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 constantly 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 previously 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.
- 7.5 In September Members approved a revised projected expenditure for 2013/14 of £9.378million. This was a decrease of £1.042million over that previously reported in June. The decrease in spend was largely due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £1.706million and partly due to a net increase in the expected spend on schemes of £664k.

## **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 capital investment proposals considered as part of the 2014/15 Corporate Business Planning process are not reflected in the current programme. 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 £8.918million. This is a decrease of £460k over that previously reported at the first quarter. 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 £1.043million and partly due to a net increase in the expected spend on schemes of £583k.

8.3 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   |
|--|------------------------------|----------------------------------|----------------|--|
| Urban Transport Plans and Green Infrastructure implementation. | +462                         | +70                              | -392           | Officers are working with HCC on two particular projects i.e. these being Old North Road/Burns Road Cycle Route in Royston and Baldock Station to Letchworth Industrial Estate Pedestrian/Cycle route, and are subjected to HCC timescales for feasibility work and implementation. Officers will continue to track progress and work positively with HCC in progressing these schemes and other schemes that may emerge from the Urban Transport Plans and Green Infrastructure Strategy. |
| Hitchin Swimming Pool Car Park Extension                       | +278                         | 0                                | -278           | This project is not expected to be completed in this financial year. Other developments at the Hitchin Swimming Centre facility are underway.  |
| Replacement of Walsworth Common Access Bridge                  | +82                          | 0                                | -82            | Seeking external funds to cover the full cost of this project to strengthen the bridge.  |
| Re-roofing of St John's Chapel, Hitchin                        | +75                          | 0                                | -75            | Re-prioritisation of projects – expected to be completed in 2014/15  |
| Glazed Walkway, Lairage Car Park, Hitchin                      | +63                          | 0                                | -63            | Re-prioritisation of projects – expected to be completed in 2014/15  |
| Trial of On-street charging for parking                        | +50                          | 0                                | -50            | Project not expected to begin in this financial year. A review of car parking has recently been commissioned as part of the Challenge Board process and will consider the Council's current approach to Parking Strategy implementation and management.  |
| Energy Efficiency measures                                     | +60                          | +10                              | -50            | The surveys to identify measures is being undertaken in conjunction with Stevenage Borough Council.  |
| Town Lodge Roof replacements                                   | +40                          | 0                                | -40            | Negotiations with the Heritage Foundation are underway to consider the future of this site.  |
|  |                              |                                  | -13            |  |
| <b>Total Revision to Budget Profile</b>                        |                              |                                  | <b>-1,043</b>  |  |

8.4 There are also changes to the expected overall costs of schemes in 2013/14. These changes total an increase of £583k 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)

| <b>Scheme</b>  | <b>2013/14 Working Budget £'000</b> | <b>2013/14 Revised Projection £'000</b> | <b>Increase/ Decrease £'000</b> | <b>Notes</b>   |
|--|-------------------------------------|---|---------------------------------|--|
| Acquisition of the District Council Offices                                | 0                                   | TBC                                     | TBC                             | In July the Council resolved to approve in principle the purchase of DCO. Negotiations are ongoing with a view to complete before the end of December 2013. An amount of £3.450million has also been included in the programme for 2014/15 onwards for the refurbishment of the building (this will require more accurate profiling once an implementation plan has been developed). |
| Pre costs for development of new North Herts District Museum and Town Hall | 0                                   | +245                                    | +245                            | Previous reports to Council have informed Members that the costs incurred prior to the start of the construction contract have totalled £245k. This includes early design works and specialist advise such as tax and valuations. The capital budget for the construction and fitting out of the new facility remains at £4.33million.   |
| Hitchin Swimming Centre Multi-use leisure facilities                       | +720                                | +1,050                                  | +330                            | This is an invest to save scheme with payback over the period of the leisure management contract. The report to Cabinet in March provided a payment schedule identifying 120 monthly payments by the Leisure management contractor for capital costs up to a maximum of £1.1m. Currently, the expected total expenditure is within this limit.                                       |
| Wheelie Bins for co-mingled recycling project                              | +1,000                              | +1,061                                  | +61                             | NHDC was successful in obtaining £358k in funding from HCC towards this project. This is £158k more than the previous estimate in the programme and more than covers the increase in capital costs of £61k.  |
| Weekly Collection of Waste from Flats                                      | +500                                | +385                                    | -115                            | This project is 100% grant funded. The expenditure that does not meet the definition of capital expenditure has been moved to the general fund and matched with the grant funding.   |
| Howard Park & Gardens  | +50                                 | +3                                      | -47                             | The final total cost of this scheme was £2.963million. Funded in part by a HLF grant of £1.948million.   |
| Financial System enhancement – "E-series"                                  | 0                                   | +26                                     | +26                             | During the second quarter Challenge Board agreed to fund the enhancement of the financial system from the strategic priorities fund. This is an invest to save project with payback in just under three years.   |
| Avenue Park Paddling Pool  | +11                                 | +32                                     | +21                             | The final total cost of this project was £171k. Funding of £11k from S106 contributions went towards this cost.  |

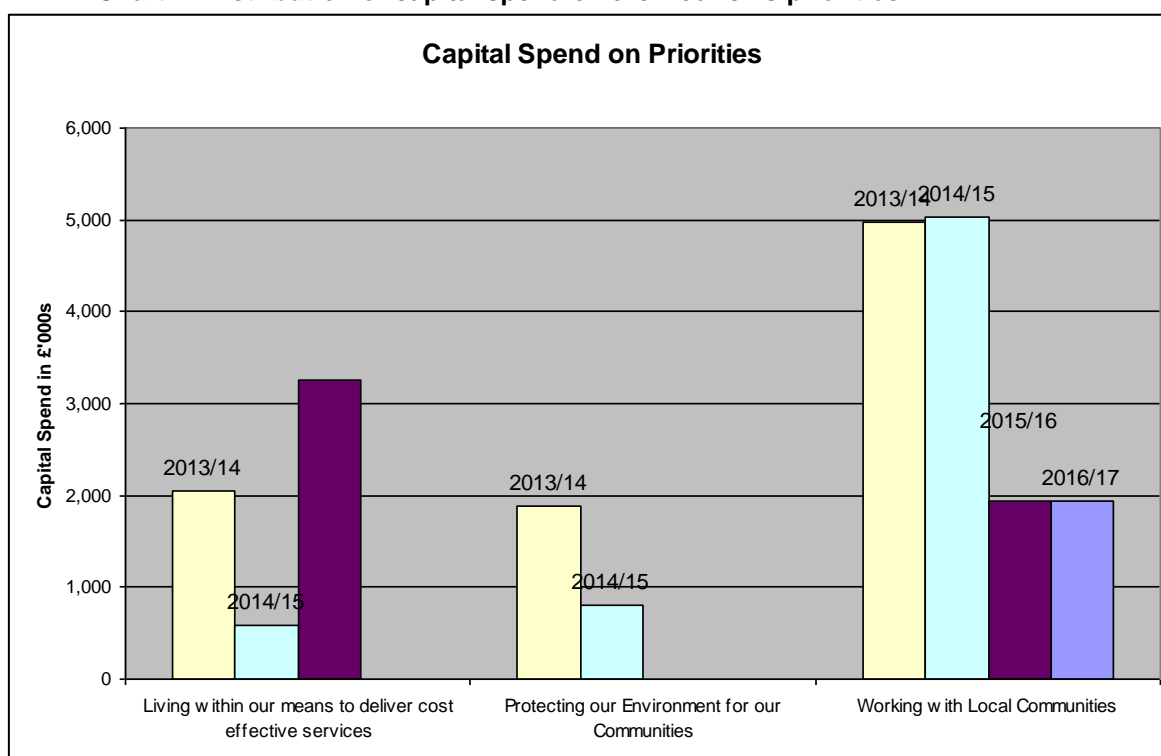
| Scheme                                       | 2013/14 Working Budget £'000 | 2013/14 Revised Projection £'000 | Increase/Decrease £'000 | Notes   |
|--|------------------------------|----------------------------------|-------------------------|---|
| Royston Civic Offices Roof Replacement       | +63                          | +43                              | -20                     | This project will be completed for less than the original estimate.   |
| Careline Call handling hardware and software | 0                            | +109                             | +109                    | Cabinet considered the future direction of Careline at it's meeting in September and approved the upgrading of the call handling system. The ongoing revenue cost of approximately £25k per annum can be met from existing revenue budgets. |
| Tenant Cash Incentive Scheme                 | +70                          | +35                              | -35                     | It was noted in the above Careline report in September that this ongoing budget in the capital programme could be reduced by £35k in 2013/14 only.  |
| Other minor changes                          |                              |                                  | +8                      |   |
|  |                              |                                  | <b>+583</b>             |   |

### Link to the Council's Priorities

8.5 The total programme from 2013/14 to 2016/17 of £22million 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 £8.9million requires at least £7.1million from the Council's capital resources. As a result it will be necessary to draw down approximately £5.9million

from the Council's set aside receipts to fund the current programme. The purchase of the Council Offices will also require capital resources and this will need to be factored in once negotiations are complete. Council land has been identified for disposal and it is hoped completed sales will generate receipts of approximately £7.5million over the next two years. Use of the set aside receipts will increase the Council's Capital Financing Requirement and will impact on the Treasury activity of the Council. There will be a balance of £288k 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 £1.8million of third party contributions and grants is expected to be applied. This includes £508k of S106 receipts.
- 8.8 The capital programme will need to remain constantly 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.
- 8.9 The current programme anticipates that approximately £12million of set aside receipts will be used over the next three years. This will 'increase' the capital finance requirement to around a negative £18million. If the Authority moves into a position of having a positive capital finance requirement it will need to start making an allowance in the general fund for a minimum revenue provision for capital.

## **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% 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 £2.2million higher than the estimated £22million. 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.  
Appendix B, Capital Programme Detail 2013/14 onwards,  
Appendix C, Capital scheme Funding 2013/14 onwards,

## **16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

- 17.1 2012/13 Year End Statement of Accounts
- 17.2 2013/14 Budget Estimates Book.