

This report is in a draft format prior to presentation to Cabinet on 25 March 2014.

TITLE OF REPORT: THIRD QUARTER CAPITAL MONITORING 2013/14

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

1. SUMMARY

- 1.1 To update Cabinet on the capital programme for 2013/14, as at the end of December 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 £2.387million.
- 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 £33K.

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 6 September 2013.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for 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 2013 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.
- 7.6 In December 2013 Members approved a further revised projected expenditure for 2013/14 of £8.918million. This was a decrease of £460K over that previously reported in September. The decrease in spend was 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.
- 7.7 At the time of writing the second quarter monitoring report for the December meeting it was not possible to disclose the final purchase price of the District Council Offices. This transaction was completed at the end of November 2013 at a total capital cost (including Stamp Duty Land Tax) of £3.668million (a rent and insurance rebate reduced the total purchase cost to £3.65million). This increased the total projected capital expenditure in 2013/14 to £12.586million.

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 £10.232million. This is a decrease of £2.354million over that previously reported at the second 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 £2.387million and partly due to a net increase in the expected spend on schemes of £33K.

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
District Museum and Community Facility	1,745	600	-1,145	The building contract started later than originally planned, therefore, this has impacted on the completion date of the project.
Rural Community Halls Grant Scheme	193	5	-187	Officers are currently in dialogue with qualifying village halls with regard to possible funding assistance from this scheme for capital works on the buildings. Award of funding towards the overall costs of those works, to some or all of these halls should be happening over the coming year.
Parish Amenities Capital improvement fund	55	0	-55	Committed to schemes and will be drawn down as required.
Bancroft Park renovation	95	55	-40	Next stage of project is underway following Cabinet decision in January.
Neighbourhood Parks Renovation	170	140	-30	The remaining unspent budget relates to Ransoms recreation ground. Extra time was required for drawing up the specification for the Consultant tender.
Lairage Multi-storey car park – structural wall repairs	250	22	-228	This project is on hold and subject to the Parking Review project.
Lairage Multi-storey car park – white lighting	68	0	-68	Extensive trials have been undertaken throughout 13/14 to provide a cost effective specification for the white lighting scheme. Progress was delayed due to the separate emerging need for structural investigations to be carried out on the car park decking. Further trials are being undertaken and the works are planned to be completed prior to October 2014.
Walsworth Common Play Area	70	10	-60	The tender specification took longer to produce than was originally anticipated. Therefore, work on site has slipped.
Ransoms Recreation Ground Play Area	75	10	-65	The tender specification took longer to produce than was originally anticipated. Therefore, work on site

Scheme	2013/14 Working Budget £'000	2013/14 Revised Projection £'000	Variance £'000	Comments
				has slipped.
Off Road Car Park resurfacing	73	40	-33	Project pressures elsewhere have diverted staff resources, although the need remains and will be completed in 14/15
Reconstruction of Lower Gower Road	75	0	-75	Extensive legal consultations with businesses affected by the proposed works have delayed this project. Proposed completion by October 2014.
Hitchin Swim Centre Structural Repairs	55	0	-55	Scheme slipped to 14/15 following re-prioritisation of projects. Completion now due by 1 July 2014.
Hitchin Swim Centre small paddling pool resurfacing	60	0	-60	Scheme slipped to 14/15 following re-prioritisation of projects. Completion now due by 1 July 2014.
Making Good Trip Hazards, Hitchin Town Centre	25	0	-25	During 13/14 Property Services have researched suitable collaborators to assist with the completion of this project. As the programme of works has been affected by the subsequent addition of other priority works, this project has been delayed until 14/15.
Cladding of External Walls at Avenue Park and St Johns	90	20	-70	Scheme slipped to 14/15 following re-prioritisation of projects. Completion now due by 1 July 2014.
Careline Call Handling hardware and software	109	0	-109	This procurement is underway and the project should be completed early in the new financial year.
Energy Efficiency Measures	10	0	-10	Energy Efficiency Audits have been procured during 13/14 as a collaborative process with SBC. The collaboration and specifically the differing priorities of the two councils have resulted in the surveys being carried out in the last quarter of this financial year. Therefore the resulting energy efficiency measures have been delayed until 14/15.
Baldock Town Hall project	50	20	-30	Funding draw down dependent upon applications from Baldock Town Hall Community Group for this project.
3sixty citizen web access	14	0	-14	Challenge Board agreed that the implementation of the product will be considered early April 2014.
Westmill Community Centre Design Works	50	30	-20	Currently writing the design brief for the new extension.
Other minor revisions			-8	
Total Revision to Budget Profile			-2,387	

- 8.4 There are also changes to the expected overall costs of schemes in 2013/14. These changes total an increase of £33k 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)

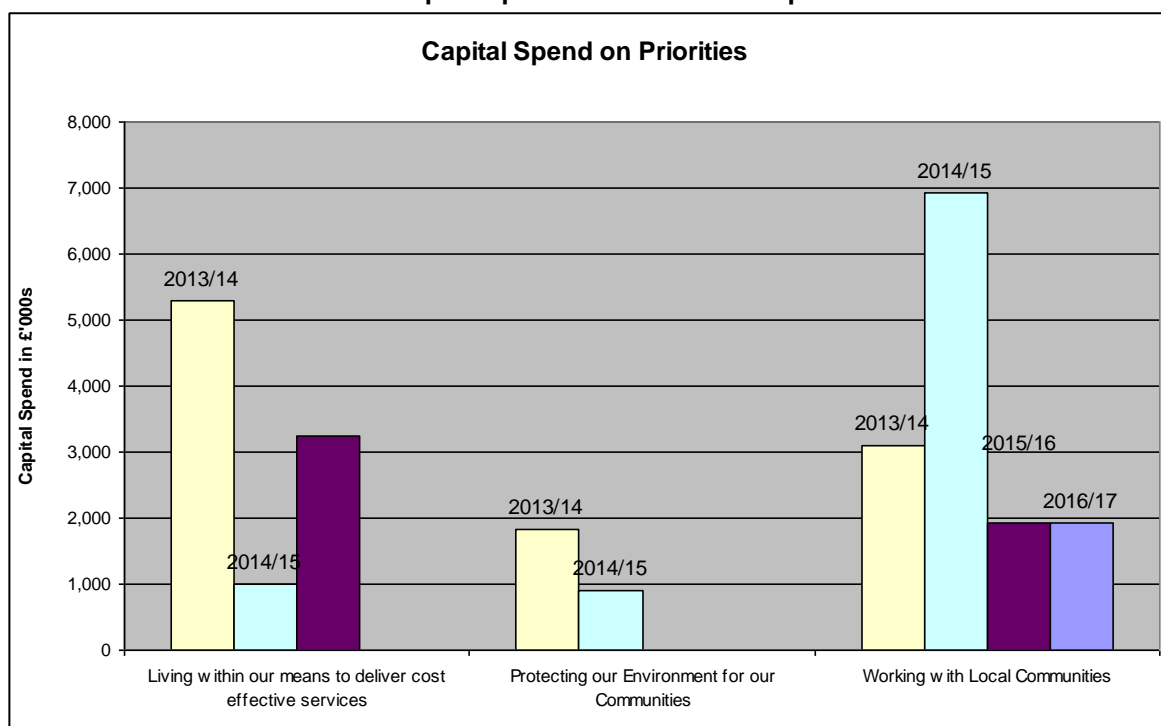
Scheme	2013/14 Working Budget £'000	2013/14 Revised Projection £'000	Increase/Decrease £'000	Notes
New Scheme: Charging Points for Electric Vehicles	0	26	+26	Installation of six dual charge points for electric vehicles across the District. This project is mainly grant funded from the Office for Low Emission Vehicles. S106 funding will be used as the NHDC element of funding towards the project.
Other minor changes			+7	
Total			+33	

Link to the Council's Priorities

- 8.5 The total programme from 2013/14 to 2016/17 of £25.6million 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 £10.2million requires at least £8.5million from the Council's capital resources. As a result it will be necessary to draw down approximately £7.8million 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 £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 £666k 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 £1.6million of third party contributions and grants is expected to be applied. This includes £445k 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 £15million of set aside receipts will be used over the next three years. This will 'increase' the capital finance requirement to around a negative £15million. 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 £2.6million higher than the estimated £25.6million. 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.