

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2014/15

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

Note: This report is in a draft format prior to presentation to Cabinet on 23 September 2014**1. SUMMARY**

- 1.1 To update Cabinet on the capital programme for 2014/15, as at the end of June 2014, indicating its impact upon the 2015/16 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2014/15 and onwards.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the changes to the projected capital programme for 2014/15 onwards arising from the re-profiling of schemes, identified in Paragraph 8.3, Table 1, a decrease in expenditure in 2014/15 of £336k.
- 2.2 That Cabinet approves the changes to the projected capital programme for 2014/15 arising as a result of changes to the capital schemes, identified in Paragraph 8.4, Table 2, a decrease in expenditure of £377k.

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 30 June 2014.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for financial year 2013/14. Total capital expenditure in 2013/14 was £11.527million and a remaining useable capital receipt balance of £1.339million was available as at 1 April 2014. The projected capital expenditure for 2014/15 at this time on existing schemes was £9.433million. A total of £1.438million of new capital schemes were approved in the 2014/15 corporate business planning process bringing the total projected capital expenditure for 2014/15 to £10.871million.
- 7.2 The Medium Term Financial Strategy 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.
- 7.3 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 2014/15

- 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 2015/16 to 2017/18.
- 8.2 The projected expenditure for 2014/15 (including all the changes detailed in the paragraphs that follow) is now £10.158million. This is a decrease of £713k 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 re-profiling into future years of £336k and partly due to a £377k net decrease in the expected spend on schemes.

8.2 Table 1 lists the schemes now projected to start or continue in 2015/16:

Table 1: Scheme Timetable Revision:

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

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Variance £'000	Comments
Green infrastructure project (GAF funded)	186	46	-140	Delivery of this scheme is dependent on the Local Plan
Baldock Town Hall project	139	21	-118	Call off from Community group as and when required.
Rural Community Halls Grant Scheme	193	100	-93	Funds released as and when required and £100k is the estimate of the amount to be released in 2014/15. No funds were released in the first quarter.
Other Minor Changes			+15	
Total Revision to Budget Profile			-336	

- 8.4 There are also changes to the expected overall costs of schemes in 2014/15. These changes total a decrease of £377k and are detailed in Table 2:

Table 2: Changes to Capital Schemes Commencing in 2014/15:

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

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Increase/ Decrease £'000	Notes
Microsoft Enterprise Software	210	0	-210	The Council has an agreement for the use of Microsoft software which costs £70k per annum. This was planned to be funded from the IT reserve through the capital programme but since this is an on-going requirement it is better to budget for this in the general fund, i.e. revenue. A base budget adjustment has been made to incorporate this into the general fund budgets.
Avenue Park baby changing / toilet facilities	0	30	+30	Members resolved in March 2014 for £30,000 be included in the Capital Programme for 2014/15 for the provision of baby changing / toilet facilities for users of the water splash pool at Avenue Park, Baldock to enable the works to be completed prior to the Splash Pool being open in May 2014.
Burymead structure and cladding repairs	60	0	-60	Re-direction of use of capital funds to complete the more urgent works to the roof – see below.
Burymead – new roof waterproofing system	0	60	+60	The existing waterproofing system is coming to end of its design life causing various leaks into the building. The proposal is to overlay the existing roof with Cold Applied Liquitec Roof System.
Tenant Cash Incentive Scheme	105	70	-35	Given there are no applications in process it is unlikely that the full budget will be needed. There was one successful application completed in 2013/14.
Reconstruction of Lower Gower Road, Royston	75	5	-70	Original budget included a figure to compensate businesses for loss of business if the road was to be closed. The work was completed without any disruption to businesses - the road was not closed.
Careline Community alarms	53	15	-38	In July Hertfordshire County Council resolved to provide capital funding to Careline, from 1st April 2015, to support the delivery of community alarms across Hertfordshire. In the light of this development officers have reviewed Careline's use of capital in connection with its Marketing Plan and, as a consequence, have revised down the working budget for the remainder of 2014/5. The residual budget of £15k is allocated to support subsidised equipment.

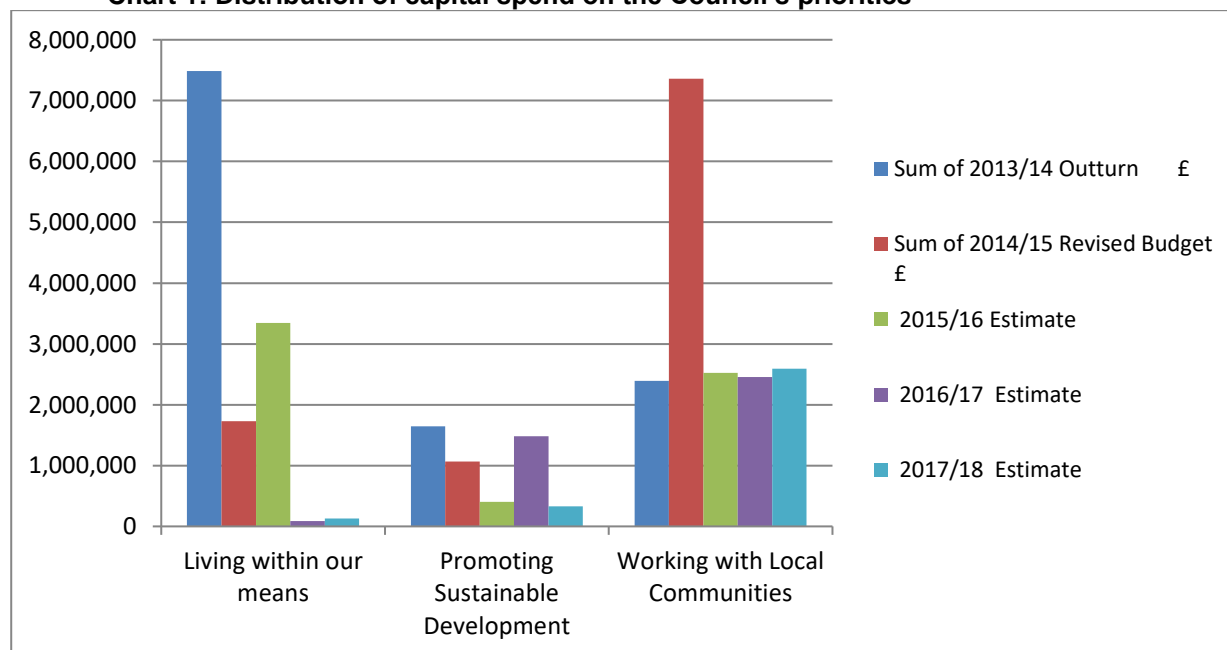
Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Increase/Decrease £'000	Notes
S106 funded projects	0	20	20	A total of £13k of S106 funds have been released for community schemes in 2014/15 to date.
Customer Relationship Manager Software	42	28	-14	£42 was based on a full outsourced new system. The procured solution has involved a greater amount of internal staff involvement in the development.
Electronic Gates Installation	40	30	-10	The last gates to be installed are at St John's Cemetery and estimated cost is £30k. Other gates have been funded from revenue in 2013/14.
Bakers Close Pavilion Refurbishment	100	50	-50	Grant provided of £50k towards total cost of £100k. The Council is not undertaking the work. Previously assumed another £50k would be received as third party contribution.
Other minor changes			0	
			-377	

Link to the Council's Priorities

8.5 The total programme from 2014/15 to 2017/18 of £23.5million contributes towards the three priorities of;

- Living within our means
- Promoting Sustainable Development
- Working with Local Communities

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



Capital Programme 2014/15 Funding onwards

8.6 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2014/15 and onwards is £1.339million. The 2014/15 capital programme of £10.2million requires a total of £7.2million from the Council's capital resources. As a result it will be necessary to draw down approximately £4.9million 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 £4.75million this financial year. Use of the set aside receipts will increase the Council's Capital Financing Requirement and will impact on the Treasury activity of the Council. However, if received the capital receipt could offset this impact and there could be a balance of £3.7million remaining in useable capital receipts at 1 April 2015 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 2014/15 a total of £2.7million of third party contributions and grants is expected to be applied. This includes £235k 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 £2.35million higher than the estimated £23.5million. 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 2014/15 onwards.
- 15.2 Appendix B, Capital Programme Detail 2014/15 onwards,

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17. BACKGROUND PAPERS

- 17.1 2013/14 Year End Statement of Accounts - [Statement of Accounts](#)
- 17.2 2014/15 Budget Estimates Book - [Budget Book](#)