

TITLE OF REPORT: THIRD QUARTER CAPITAL MONITORING 2014 - 2015

REPORT OF THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

*This report will be presented to Cabinet on 24 March 2015***1. SUMMARY**

- 1.1 To update Cabinet on the capital programme for 2014- 2015, as at the end of December 2014, indicating its impact upon the 2015 - 2016 programme and upon available capital funding resources.
- 1.2 To obtain Cabinet's approval to changes to individual scheme expenditure for 2014-2015 and onwards.

2. RECOMMENDATIONS

- 2.1 That Cabinet approves the changes to the projected capital programme for 2014 - 2015 onwards arising from the re-profiling of schemes, identified in Paragraph 8.3, Table 1, a decrease in expenditure in 2014 - 2015 of £1.978million.
- 2.2 That Cabinet approves the changes to the projected capital programme for 2014 - 2015 arising as a result of changes to the capital schemes, identified in paragraph 8.4, Table 2, a net decrease in expenditure of £53K.
- 2.3 That Cabinet approves the changes to the projected capital programme for 2014 - 2015 and onwards arising for the North Hertfordshire Museum and Community Facility for an increase in budget of £69K agreed by the Chief Executive under the special urgency procedure, the increase in budget of up to a maximum of £253K agreed by full Council on the 10 March 2015, and the re-profiling of this scheme into 2015 - 2016 to reflect the latest timetable for completion, resulting in a net decrease in expenditure of £899K in 2014 - 2015 (Paragraphs 8.5 and 8.6 refer).

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 1 August 2014.

7. BACKGROUND

- 7.1 Members were advised in June of the outturn position of the capital programme for financial year 2013 - 2014. Total capital expenditure in 2013 - 2014 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 - 2015 at this time on existing schemes was £9.433million. A total of £1.438million of new capital schemes were approved in the 2014 - 2015 corporate business planning process bringing the total projected capital expenditure for 2014 - 2015 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.
- 7.4 In September a revised projected expenditure for 2014 - 2015 of £10.158million was approved. This was a decrease of £713K over that previously reported in June. 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 £336K and partly due to a net increase in the expected spend on schemes of £377K.
- 7.5 Cabinet also resolved in September to extend the contract for the Income Management System, Civica, at a capital cost of £160K (Minute 60) and to acquire the freehold or long lease of land or buildings suitable to be used as Council storage facilities up to the value of £750K (Minute 58). As a result the revised projected expenditure on the capital programme for 2014 - 2015 became £11.068million.
- 7.6 In December a revised projected expenditure for 2014 - 2015 of £9.603million was approved. This was a decrease of £1.465million 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 re-profiling into future years of £1.634million, partly due to a £74K net increase in the expected spend on schemes and partly due to a new capital scheme of £95K for a replacement telephony infrastructure.
- 7.7 Cabinet also agreed in December to a phased approach to deliver incremental affordable improvements to Bancroft Recreation Ground based on the principles outlined in the most recent version of the master plan set out in the report to Cabinet on 28 January 2014, using Section 106 and other limited internal and

external financial resources. As a result the existing capital scheme which was based on a successful lottery bid (£349,000 in 2014/- 2015 and £2.4million in total) has been removed from the capital programme. The revised projected expenditure for 2014 - 2015 then became £9.254million. Cabinet also agreed to recommend that, subject to the approval of a revenue growth bid of £15,000 per annum, a water splash park and associated toilet/baby changing provision for Bancroft Recreation Ground should be included in the Capital Programme for 2015 - 2016. This new scheme, along with the other new schemes for 2015 - 2016 and onwards will be incorporated into the monitoring of the capital programme in 2015 - 2016.

8. ISSUES

Capital Programme 2014 - 2015

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 - 2016 to 2017 - 2018. The new capital schemes proposed in the 2015 - 2016 capital budget report will be incorporated into the capital programme for monitoring in 2015 - 2016.

8.2 The projected expenditure for 2014 -2015 (including all the changes detailed in the paragraphs that follow) is now £6.324million. This is a decrease of £2.930million over that previously reported in December. 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 £1.978million, partly due to a £53K net decrease in the expected spend on schemes and partly due to changes to the budget for the District Museum and Community Facility at Hitchin Town Hall, as explained in Paragraphs 8.5 and 8.6.

8.2 Table 1 lists the schemes now projected to start or continue in 2015 - 2016:

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
Storage Facilities	750	0	-750	Scheme dependent on the delivery and approval of a business case. To be continued in 2015/16.
Royston Civic Centre Site re-development	41	0	-41	Redevelopment of this site will need to be reconsidered in 2015/16. There are a number of landowners with interests, some with a larger land holding than this council.
Warren Street Car Park re-development	100	0	-100	This scheme is dependent upon the above civic centre site re-development scheme.
Refurbishment of District Council Offices	100	20	-80	Project is underway with construction expected to be started in the summer of 2016.
Premises Enhancement Programme	75	10	-65	Have not been able to progress with the programme as quickly as anticipated due to a high level of reactive maintenance.
Installation of trial of on-street charging	50	0	-50	Progression of this scheme will be dependent on the outcome of the Parking Service Review.

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Variance £'000	Comments
Roll-out of Town Centre on-street charging	235	0	-235	The further roll-out of on street charging will be dependent on the outcome of the trial (see above).
Bush Spring Play Area	75	0	-75	The outcome of an external grant application is expected in March 2015. The scheme will then progress.
Baldock Road Recreation Ground	60	2	-58	There has been a delay in the landlord granting consent and the scheme will continue as soon as this is acquired.
Green Infrastructure	46	0	-46	Do not anticipate any projects to be completed by 2014/15. However, there is a small scale project to do a link between Baldock Station and Letchworth Industrial Estate that is currently being investigated.
Area Visioning	37	6	-31	One grant to Letchworth Eagles football club has been drawn down in 2014/15. A further grant to Jackmans Community Association for building and internal refurbishments should be drawn down by the end of the year. The previously committed funds to Bancroft Recreation Ground are now being reconsidered in light of the recent decision on projects on this site.
Lairage multi-storey car park – white lighting	68	10	-57	Spend to date has been incurred in reaction to vandalism. The majority of the works will be completed in 2015/16
Lairage multi-storey car park – safety and equalities act improvements	40	0	-40	This project has been de-prioritised behind other projects and more urgent tasks.
Off Street Car Park resurfacing	50	0	-50	Stevenage Borough Council have been appointed to provide a condition survey and works will take place once this has been completed.
Making Good trip hazards, Hitchin Town Centre	25	0	-25	An appropriate consultant has yet to be found to carry out these works.
Repair of Steps at St Mary's car park	30	5	-25	Linked with the above project on trip hazards. Delay in finding an appropriate consultant.
Burymead Road Waterproofing	60	0	-60	The work plan for this project has changed and now solar panels may be put on the roof. This has delayed the project.
Baldock Road Pavilion	44	0	-44	Project will take the form of a grant to a 3rd party developer. The project budget could potentially be augmented with section 106 funding but the project is not yet certain to proceed.
Telephony System	95	0	-95	The procurement process is underway but implementation will not now take place until 2015/16.
Baldock Town Hall Project	21	5	-16	The community group are behind with their work schedule and so have

Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Variance £'000	Comments
				not requested as much of the allocated funds as anticipated in 2014/15. Officers will continue to assist the group.
Rural Community Hall Grants	100	65	-35	Grants for six projects have been released in 2014/15. A further two projects have been committed. . Another five projects worth are being explored but would not be released until 2015/16
Total Revision to Budget Profile			-1,978	

8.4 There are also changes to the expected overall costs of schemes in 2014 - 2015. These changes total a decrease of £53K 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
Great Ashby Community Centre	20	0	-20	Value engineering exercise resulted in improvements to work plan and a £20k underspend.
Cladding for Avenue Park and St Johns Pavilions	84	50	-34	Project delivered for less than the original estimate with no use of the contingency.
Other minor variances			1	
			-53	

North Hertfordshire Museum and Community Facility at Hitchin Town Hall

8.5 The budget and expenditure profile for the North Hertfordshire Museum and Community Facility project was last updated in a report to Cabinet in June 2014. At this time the total project budget was increased by £110K to £4.685million. It was anticipated that £3.755million of this would be spent in financial year 2014 - 2015. At the meeting on 10 March 2015 full Council considered and approved a further update on the budget.

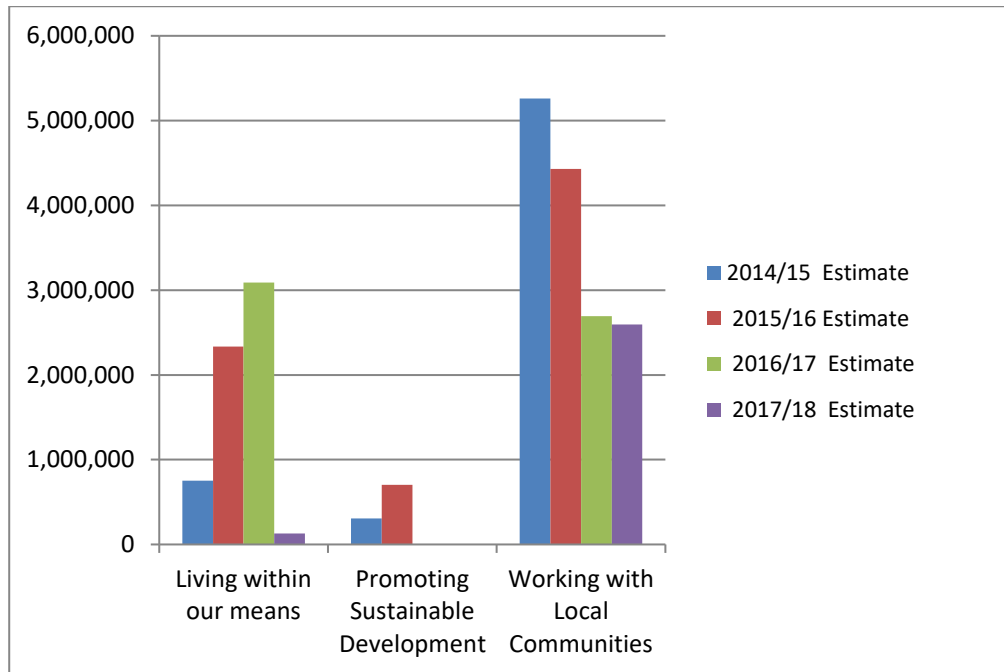
8.6 An eight week delay in the construction phase of the project has resulted in a further expected increase in costs of £69,000. This additional spend was authorised by the Chief Executive under special urgency powers. Further to this on the 10 March 2015 Council approved an increase of up to a maximum of £253K for additional variations to the construction contract. This brings the total project budget in the capital programme to £5.007million. Council also agreed to commit a further £490k of Council resources in the event that HTH Ltd is not in a position to make its contractual financial contribution at the completion of the construction contract. The revised timescales for the completion of the construction and fit-out of the facility require a revision to the profile of capital spend over the financial years. It is now anticipated that £2.856million will be spent by the end of March 2015 with the remaining increased budget spent in financial year 2015 - 2016. This represents a £899,000 reduction in spend in financial year 2014 - 2015.

Link to the Council's Priorities

8.7 The total programme from 2014 - 2015 to 2017 - 2018 of £22.6million 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

8.8 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2014 - 2015 and onwards is £1.339million. The balance of "set aside receipts" available before external borrowing is required is £23.3million. The 2014 - 2015 capital programme of £6.3million requires a total of £5.3million from the Council's capital resources. As a result it will be necessary to draw down approximately £3.8million 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 £4.75million over the next few months. 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 over £4.5million remaining in useable capital receipts at 1 April 2015 for funding of future capital spend. Work is underway to identify further sites for disposal that would contribute towards funding the future capital programme.

8.9 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 - 2015 a total of £861K of third party contributions and grants is expected to be applied. This includes £270K of S106 receipts.

- 8.10 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. The Council currently earns around 1 per cent interest on cash investments.. 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 £2.2million higher than the estimated £22.6million. 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 Paragraph 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](#)