

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2014/15

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 2014/15, as at the end of financial year 2014/15, 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 2015/16 onwards.
- 1.3 To obtain Cabinet's approval for the funding of the capital programme and to the amount of capital receipts applied towards the 2014/15 capital outturn.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of £4.532million in 2014/15 on the capital programme, paragraph 8.2 refers, and in particular the changes detailed in table 2 which resulted in a net decrease on the working estimate of £0.871million.
- 2.2 That Cabinet considers and approves the changes to the capital programme for 2015/16 and onwards as a result of the revised timetable of scheme detailed in table 1, increasing the estimated spend in 2015/16 by £921k.
- 2.3 That Cabinet notes the position of the availability of capital resources, as described in paragraphs 8.7 to 8.10, and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet approves the application of £0.566million of capital receipts towards the 2014/15 capital programme and the drawdown of £3.165million of cash investments from set aside receipts, paragraph 8.7 refers.

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 27 February 2015.

7. BACKGROUND

- 7.1 Members were advised in June 2014 of the outturn position of the capital programme for financial year 2013/14. Total capital expenditure in 2013/14 was £11.526million and a remaining useable capital receipt balance of £1.3million was available as at 1 April 2014. The projected capital expenditure for 2014/15 at this time was £10.871million.
- 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 2015 to 2020 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 2014 Members approved a revised projected expenditure for 2014/15 of £10.158million. This was a decrease of £0.713million 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 £336k and partly due to a net decrease in the expected spend on schemes of £377k.
- 7.6 In December 2014 Members approved a further revised projected expenditure for 2014/15 of £9.603million. This was a decrease of £555k 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 £1.634million and partly due to a net increase in the expected spend on schemes of £1.079million.
- 7.7 In March 2015 Members approved a revised projected expenditure for 2014/15 of £6.324million. This was a decrease of £3.279million over that previously reported. 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 £1.979million and partly due to a net decrease in the expected spend on schemes of £1.3million.

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 2014/15 to 2017/18. The funding source for each capital scheme is shown in appendix C.

8.2 The outturn capital expenditure for 2014/15 (including all the changes detailed in the paragraphs that follow) is £4.532million. This is a reduction of £1.792million on that previously reported at the end of the third quarter. The decrease in spend is in part due to a revision in the timetable for completion of schemes, leading to the re-profiling into future years of £921k and also to a net decrease in the expected spend on other schemes of £871k.

8.3 The following capital schemes have completed during 2014/15:

- Installation of Electronic Charging Points
- Purchase of Customer Relationship Management Software
- Purchase of Core Backbone Switches
- Income Management System
- A total of £471k of Disabled Facility Grants have been delivered
- Lower Gower Road Reconstruction
- Re-Roofing St John's Chapel

8.4 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 Outturn £'000	Variance £'000	Comments
Town Lodge Roof Repairs	40	0	-40	Projected delayed as unplanned maintenance in other areas took priority.
Automated Telephone Speech	28	0	-28	Projected delayed until after the implementation of the new telephony infrastructure to ensure compatibility.
Transport Plans Implementation	150	40	-110	On going projects to be identified with HCC regarding implementation of Urban Transport Plans and reviewing the NHDC Parking Strategy proposed 2015/16.
Resurfacing Off Street Car Parks	95	37	-58	Design and procurement delays
Neighbourhood Park Renovations	93	40	-53	Works delayed due to need to apply for Section 38 consent. (Consent required from the Secretary of State to undertake work on registered common land).
Purwell Recreation Ground Improvement	25	0	-25	Completion due May 15
Bakers Close Pavilion Refurb	50	0	-50	Awaiting Landlords consent
North Hertfordshire Museum and Community Facility	2,856	2,799	-57	Construction of the refurbished facility continues into 2015/16 with a completion date of Oct.
Hitchin Swimming Pool Car Park Extension	278	0	-278	Awaiting planning permission

Scheme	2014/15 Working Budget £'000	2014/15 Outturn £'000	Variance £'000	Comments
HAG Ling Dynamic – 61 Station Road Ashwell	50	0	-50	Deed of Variation was required which delayed the acquisition and start date.
Other minor slippage			-172	
Total Revision to Budget Profile			-921	

8.5 There are also changes to the overall costs of schemes in 2014/15. These changes total a reduction of £0.871million 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)

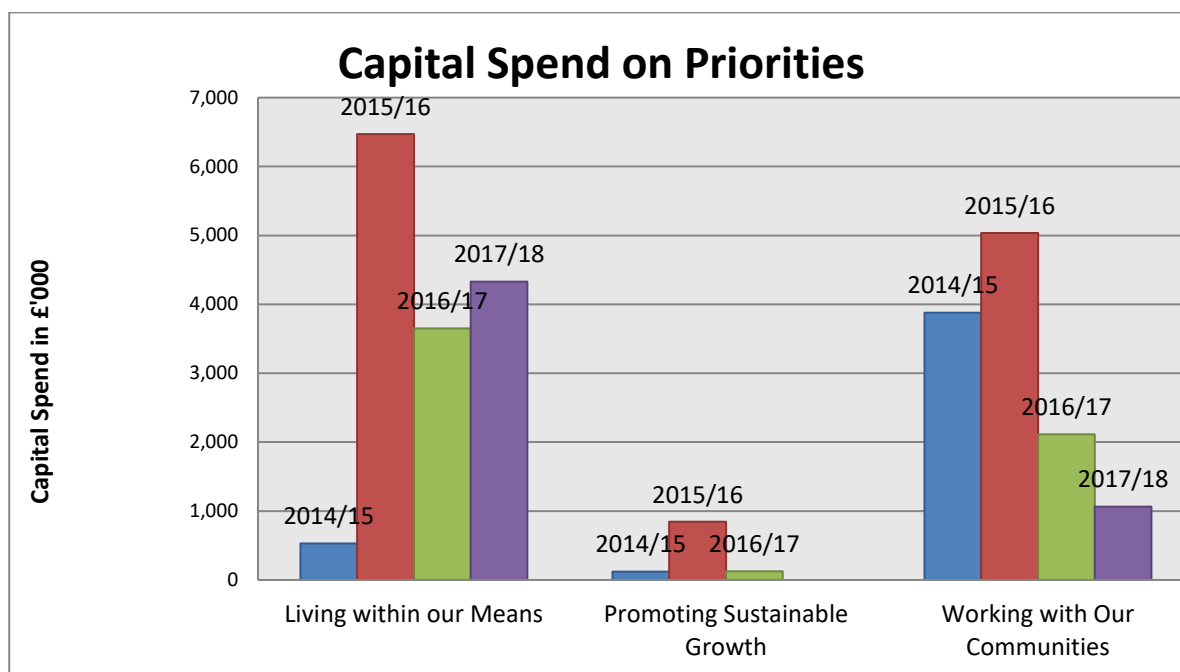
Scheme	2014/15 Working Budget £'000	2014/15 Revised Projection £'000	Increase/ Decrease £'000	Notes
Disabled Facility Grants (DFG)	745	471	-274	Although there remains a backlog of grants to deliver, a number of orders remained in-complete at year end for a variety of reasons, such as staff resource issues both in-house and in third parties. An external agent has been appointed to support DFG work in 15/16.
Housing Association Grant Unallocated	458	0	-458	The need for housing association grant funding support from local authorities has reduced and this budget has been removed from the capital programme from 15/16. Individual bids for funding will be considered for approval on a scheme by scheme basis.
Tenants Cash Incentive Scheme	70	0	-70	The Tenants Cash Incentive Scheme has suffered from very low demand over recent years and as a result the Scheme has been removed from the capital programme from 2015/6
Other minor changes			-69	
Total revision to scheme spend			-871	

Link to the Council's Priorities

8.6 The total programme from 2014/15 to 2017/18 of £28.2million contributes towards the three existing priorities of;

- Promoting Sustainable Growth
- Working with our Communities
- Living within our Means

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



Capital Programme 2014/15 Funding onwards

- 8.7 The balance of useable capital receipts available at the start of the year to fund capital expenditure for 2014/15 and onwards was £1.339million. The 2014/15 capital spend requires funding of £3.73million from the Council's capital resources. A total of £0.566million is proposed to be used from useable capital receipts and the remaining £3.165million is proposed to be used from the set aside receipts. Use of the set aside receipts will increase the Council's Capital Financing Requirement (CFR) and this will be reflected in the Treasury Activity review of 2014/15.
- 8.8 There will be a balance of £0.851million remaining in useable capital receipts at 1 April 2015 for funding of future capital spend. No asset disposals were completed during 2014/15.
- 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 2014/15 a total of £737k of third party contributions and grants has been applied. This includes £226k of S106 receipts.
- 8.10 The planned drawdown on the IT reserve has reduced the availability of funds to finance capital expenditure in 15/16 and onwards. The £150k balance in the reserve will be used to fund the Microsoft software license for the next two years so as not to impact on the General Fund. Projects earmarked to be funded from the IT reserve will now be funded from the use of capital receipts.
- 8.11 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. When the CFR reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider borrowing for further capital spend. The CFR at the 31 March 2015 is negative £20million.

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. Some asset disposals are expected to complete in 2015/16.
- 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 £2.82million higher than the estimated £28.2million. 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). The key risks arising from the project may be recorded on Covalent the Council's Performance & Risk management software. Some of the major capital projects have been included as the Council's Top Risks (such as the new North Hertfordshire Museum). The Top Risks are monitored by the Finance Audit and Risk Committee.

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.
Appendix B - Capital Programme Detail 2014/15 onwards.
Appendix C - Capital scheme Funding 2014/15 onwards.

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17. BACKGROUND PAPERS

- 17.1 2013/14 Year End Statement of Accounts

<http://www.north-herts.gov.uk/home/council-performance-and-data/budgets-and-spending/statement-accounts>

- 17.2 2014/15 and 2015/16 Budget Estimates Book.

http://www.north-herts.gov.uk/sites/northherts-cms/files/budget_book.pdf