

CABINET

13 June 2017

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

10

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2016/17

REPORT OF: THE STRATEGIC DIRECTOR OF FINANCE, POLICY & GOVERNANCE

EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 As at the end of financial year 2016/17, there is a reduction in spend compared to quarter 3 of **£3.745million**. The majority of this change is for expenditure that will now be incurred in 2017/18. The forecast increase in spend in future years is **£3.554million**. The most significant individual change is that the Council was not granted permission to make a Capitalised Pension Fund Contribution, and therefore this is now forecast in 2017/18.

2. RECOMMENDATIONS

2.1 That Cabinet notes expenditure of **£5.686million** in 2016/17 on the capital programme, paragraph 8.2 refers, and in particular the changes detailed in table 3 which resulted in a net decrease on the working estimate of **£0.190million**.

2.2 That Cabinet considers and approves the changes to the capital programme for 2017/18 and onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2017/18 by **£3.354million** and 2019/20 by **£0.200million** (re-profiled from 2016/17).

2.4 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.

2.5 That Cabinet approves the application of **£2.328million** of capital receipts towards the 2016/17 capital programme and the drawdown of **£2.185million** from set aside receipts, paragraph 8.6 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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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 first notified to the public in the Forward Plan on the 1st March 2017

7. BACKGROUND

7.1 In February 2016, Council approved the capital programme for 2016/17 to 2019/20. This was subsequently amended by reprogramming from 2015/16 and changes in forecasts at quarter 1, 2 and 3. In February 2017, Council approved the capital programme for 2017/18 to 2020/21.

7.2 The Medium Term Financial Strategy for 2017 to 2022 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for invest to save schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

8. RELEVANT CONSIDERATIONS

Capital Programme 2016/17

8.1 Summaries of the capital programme by Council priority and service are shown in appendix A together with the overall funding analysis and projected availability of capital funding balances (set aside and capital receipts). The full programme is detailed in Appendix B and shows the revised costs to date, together with the expected spend from 2017/18 to 2020/21 and the funding source for each capital scheme.

8.2 The outturn capital expenditure for 2016/17 is **£5.686million**. This is a reduction of **£3.745million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend in to future years. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates (compared to Quarter 3 forecasts)

	2016/17 £M	2017/18 £M	2018/19 to 2020/21 £M
Estimate as at Q3 2016/17	9.431	17.236	7.445
Change from Q3 Estimate	-3.745	3.354	0.200
Outturn 2016/17	5.686	20.590	7.645

8.3 Table 2 lists the schemes in the 2016/17 Capital Programme that will start or continue in 2017/18:

Table 2: Scheme Timetable Revision:

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

Scheme	2016/17 Working Budget £'000	2016/17 Outturn £'000	Variance £'000	Comments	Estimated impact on 2017/18 onwards £'000
North Herts Leisure Centre Development	1,389	1,457	68	More work has been completed in the year than previously anticipated.	-68
Relay concrete slabs that surround the Hitchin Outdoor Pool	60	25	-35	The works took longer than expected due to the condition of the existing concrete slabs which were being re-laid.	35
Area Visioning	34	5	-26	These funds sit within the Hitchin Area Committee's Budget assigned to enhancements within the regeneration of Bancroft Park & Gardens. The works formed part of the larger project to renovate the play area and there was a delay in the delivery of play equipment.	26
North Herts Museum & Community Facility	810	664	-146	Due to issues with 14/15 Brand Street the fit-out of the museum has taken longer than originally anticipated.	146
Refurbishment of DCO	800	613	-187	The works remain on schedule for completion but the costs of works undertaken by the 31 st March 2017 is slightly lower than previously forecast.	187
Capitalised Pension Fund Contribution	2,500	0	-2,500	This required approval from the Department for Communities and Local Government to grant a capitalisation request, where capital funding is used for what would usually be considered to be revenue purposes. When we last made this type of application (3 years ago) it was granted. This time the application was denied on the basis that our reserves would still be above the minimum level at the end of 2020/21. We have highlighted that this is dependent on the delivery of significant savings and asked if they will reconsider.	2,500

Scheme	2016/17 Working Budget £'000	2016/17 Outturn £'000	Variance £'000	Comments	Estimated impact on 2017/18 onwards £'000
Bancroft Gardens Play Area	75	21	-54	A supplier delay for the delivery of the new play equipment means that the works will be completed in May/June.	54
Norton Common Wheeled Sports Improvements	170	11	-159	Additional consultation on the design delayed the start date. Works on site due to start in the week commencing 29th May and works are scheduled to be completed by August.	159
Storage Facilities	700	515	-185	Other priorities have meant that sufficient officer resource has not been available to complete the IT works.	185
Council property improvements following condition surveys	200	260	60	More works on Council properties were undertaken in final quarter than forecast at 3rd quarter	-60
Refurbishment of Harkness Court	43	0	-43	An options appraisal is being carried out in to whether Careline should move in to the DCO. We are awaiting the outcome of that appraisal before undertaking any works on Harkness Court.	43
Disaster Recovery Set up	89	42	-47	Work still to be undertaken at the Council's Storage and Disaster Recovery Facility. There may be a reduction in budget which will be reported during the year to reflect the competitive tendering process with suppliers breaking each of the requirements down into specific phases	47
IT License Agreement	460	260	-200	The Microsoft License is paid annually. However in order to capitalise the cost, 3 years worth of fees were accrued into 16/17 The budget reflects a 4 year period so the £200k is to be re-profiled into 19/20.	200
Email Encryption Software Solution	0	31	31	The purchase of this software was brought forward in to 16/17 to ensure continuous operation of email encryption. This reduced the potential risk of a Data Protection breach.	-31
Other minor slippage			-131		
Total Revision to Budget Profile			-3,554		

8.4 There are also changes to the overall costs of schemes in 2016/17. These changes total a net reduction of £0.190million and are detailed in Table 3:

Table 3: Changes to Capital Schemes Commencing in 2016/17:

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

Scheme	2016/17 Working Budget £'000	2016/17 Outturn £'000	Increase/ Decrease £'000	Comments
Disabled Facility Grants (DFG)	654	520	-134	The underspend is primarily accounted for by a significant reduction in Registered Social Landlord (RSL) applications. This mainly relates to one RSL where there have been staffing resource issues. It is understood that these issues has been addressed and applications are likely to be return to more normal levels in 2017/18.
Home Repair Assistance	60	24	-36	Applications for HRA Grants remain low as in 2015/16. Promotional activity regarding these grants was planned this year but it was not possible to carry it out. This will be undertaken in 2017/18. A review of HRA Grants in 2017/18 will be included as part of planned work to update the Private Sector Renewals Policy.
Procurement and Implementation of a single IT platform (Building Control)	53	0	-53	The procurement of the IT equipment is now being met by the new company from application income.
CCTV	16	70	54	Obsolete servers and 10 year old cameras that were failing had to be replaced.
Replacement or upgrade of the environmental health and licensing administration system (ACOLAID)	40	0	-40	Project funded from Revenue.
Other minor changes			19	
Total revision to scheme spend			-190	

8.5 The following capital schemes have been completed during 2016/17:

- Town Lodge Roof Repairs
- Butts Close Renovation
- Smithsons Recreation Ground
- Baldock Road Recreation Ground
- Jackmans Creamery
- Grange Recreation Ground
- Pool filter refurbishment & UV system at NH Leisure Centre

- Replace seating at Hitchin Swim Centre
- Replace main pool grating and overflow gullies at Hitchin Swim Centre
- Demolition of Bancroft Hall
- Demolish tennis courts and landscape area at Bancroft Recreation Ground
- Waste and Street Cleansing Database Management System
- £0.654million of Disabled Facility Grants

Capital Programme 2016/17 Funding onwards

8.6 Table 4 below shows how the Council will fund the 2016/17 capital programme.

Table 4: Funding the Capital Programme:

	2016/17 Balance at start of year £M	2016/17 Additions £M	2016/17 Funding Used £M	2016/17 Balance at end of year £M
Useable Capital Receipts	5.462	0.087	(2.328)	3.221
Set-aside Receipts	18.827		(2.185)	16.642
S106 receipts			(0.457)	
Other third party grants and contributions			(0.716)	
Total	24.289	0.087	(5.686)	

8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment.

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.

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 £2.823million higher than the estimated £28.234million.

10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £8k a

year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (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 2017 is negative £17million.

- 10.4 The Council also aims to ensure that 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.

11. RISK IMPLICATIONS

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are 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.

- 11.2 Cabinet receives quarterly reports on project progress and forecast spend

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their 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.
- 12.2 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 Cabinet agreement of the investment. A sound management of funds ensures that the Council has sufficient monies to support the improvement of district facilities.

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 2016/17 onwards.
Appendix B - Capital Programme Detail including Funding 2016/17 onwards.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 2017/18 Budget Estimates Book.

<https://www.north-herts.gov.uk/sites/northherts-cms/files/Budget%20Estimates%20Book%202017-18%20Final%20for%20internet.pdf>