

CABINET
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PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

9

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2017/18

REPORT OF: SERVICE DIRECTOR - RESOURCES
EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 As at the end of financial year 2017/18, there is a reduction in spend compared to quarter 3 of **£1.495million**. The majority of this change is for expenditure that will now be incurred in 2018/19. The forecast increase in spend in future years is **£1.506million**.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of **£9.484million** in 2017/18 on the capital programme, paragraph 8.2 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of **£0.011million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2018/19 and onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2018/19 by **£1.506million** (re-profiled from 2017/18).
- 2.3 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.
- 2.4 That Cabinet approves the application of **£1.437million** of capital receipts towards the 2017/18 capital programme and the drawdown of **£6.390million** from set aside receipts, paragraph 8.6 refers.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments 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 16th February 2018.

7. BACKGROUND

- 7.1 In February 2017, Council approved the capital programme for 2017/18 to 2020/21. This was subsequently amended by reprogramming from 2016/17 and changes in forecasts at quarter 1, 2 and 3. In February 2018, Council approved the capital programme for 2018/19 to 2021/22.
- 7.2 The Medium Term Financial Strategy for 2018 to 2023 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 2017/18

- 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 2018/19 to 2021/22 and the funding source for each capital scheme.
- 8.2 The outturn capital expenditure for 2017/18 is **£9.484million**. This is a reduction of **£1.495million** 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)

	2017/18 £M	2018/19 £M	2018/19 to 2021/22 £M
Estimate as at Q3 2017/18	10.978	16.649	4.565
Change from Q3 Estimate	-1.494	1.506	0
Outturn 2017/18	9.484	18.155	4.565

8.3 Table 2 lists the schemes in the 2017/18 Capital Programme that will start or continue in 2018/19:

Table 2: Scheme Timetable Revision:

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

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Purchase 14 & 15 Brand Street	550	0	-550	Negotiations with Hitchin Town Hall Limited on the terms of a purchase are ongoing.	550
North Herts Leisure Centre Development	1,922	1,702	-220	To cover related costs in 18/19 including the retention fee.	220
Letchworth Multi-Storey Parapet /Soffit / Decoration	147	9	-138	A specialist engineer was appointed to carry out concrete integrity testing, which will be utilised to formulate a schedule of works and specification. The concrete testing has been completed and we are currently awaiting the final report.	138
Food Waste Caddies	132	0	-132	New caddies were delivered in April 2018.	132
Hitchin Swim Centre Lift	100	3	-97	The work has taken longer due to tenders and agreeing final specification. An order has been placed and work is due to be undertaken May/June 2018.	97
Baldock Town Hall Improvements	77	2	-75	Management group at the Arts & Heritage Centre (former Baldock Town Hall) is undertaking major refurbishment & reconfiguration scheme to the majority of the ground floor, as well as other external improvements to the first floor. Works are likely to commence in September and continue in to 2019.	75

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Record Council Meetings	64	0	-64	This project was delayed due to the DCO refurbishment and building not being handed back until late January. This project has now been out to tender and the contract awarded. The works are due to start in August.	64
Ultra Violet Water System	50	0	-50	These works, which were organised by Stevenage Leisure, are now complete.	50
Disaster Recovery Set up	47	0	-47	This project was delayed due to the sickness of key staff and other staff concentrating on the DCO office moves. This project will now be picked up once the mezzanine flooring has been installed. This is required to continue as we need to upgrade some of the DR Services this year following an increase in technology with the Careline DR now being fully hosted at Unit 3.	47
Lairage Multi-Storey Safety & Equality	40	1	-39	A recommendation to refurbish the lifts within two years is the outcome from a specialist technical survey. Any safety items picked up from the survey will be addressed via an existing maintenance contract and it is recommended that equality improvements can be addressed as part of a full refurbishment. Budget provision is in place to refurbish the lifts during 2018/19.	39
Community Facilities Refurbishment	200	165	-35	The first grant awards were in May 2017 and three of the five schemes have been completed and the funding has been paid. The remainder is expected to be paid in 18/19. There were also six schemes approved in January 2018. As the funds are paid when the work is completed, these will mainly be funded from the previously agreed 18/19 grant allocation.	35

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Museum Services Development	101	141	40	Budget re-profiled into 18/19 at 3rd quarter but work carried out sooner than anticipated.	-40
Other minor slippage			-99		99
Total Revision to Budget Profile			-1,506		

8.4 There are also changes to the overall costs of schemes in 2017/18. These changes total a net increase of £0.011million and are detailed in Table 3:

Table 3: Changes to Capital Schemes Commencing in 2017/18:

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

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Increase/ Decrease £'000	Comments
S106 Projects	68	171	103	S106 funds have been released for community schemes. This mostly relates to cycle racks / shelters.
Disabled Facility Grants (DFG)	600	646	46	The budget was revised down at Quarter 2 but it was commented that there was uncertainty about the transition of the DFG function to the Hertfordshire Home Improvement Agency. In the end, the Housing & Public Protection Service continued to be involved in approval of grants for slightly longer than originally anticipated. However, the outturn is still below the original budget and is fully covered by the DFG grant that the Council receives from Central Government.
Off Street C/Parks Resurface	60	0	-60	Budget no longer required. There is sufficient budget provision in 18/19 so no need to reprofile.
Careline Alarms	30	0	-30	Budget not required as this has been completed as part of other work and the budget was sufficient to cover both.
Other minor changes			-48	
Total revision to scheme spend			11	

8.5 The following capital schemes have been completed during 2017/18:

- Neighbourhood CCTV Equipment
- Access Bridge Walsworth Common
- North Herts Leisure Centre Development
- Replace Fitness Equipment at Hitchin and Royston Leisure Centre
- Relay slabs at Hitchin Outdoor Pool
- Serby Avenue Play Area
- Jackmans Central Play Area
- Brook View Equipment
- Various IT Projects

Capital Programme 2017/18 Funding onwards

8.6 Table 4 below shows how the Council will fund the 2017/18 capital programme.

Table 4: Funding the Capital Programme:

	2017/18 Balance at start of year £M	2017/18 Additions £M	2017/18 Funding Used £M	2017/18 Balance at end of year £M
Useable Capital Receipts	3.224	1.303	(1.437)	3.090
Set-aside Receipts	16.642		(6.390)	10.252
S106 receipts			(0.471)	
Other third party grants and contributions			(1.186)	
Total	19.866	0	(9.843)	

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 under 5.6.7 specifically includes “to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework”. 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 tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next four-year programme it should be anticipated that the total spend over the period could be £2.394million higher than the estimated £22.719million.

- 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 £7k 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 external borrowing for further capital spend. The CFR at the 31 March 2018 is negative £10million.
- 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 Pentana (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 2017/18 onwards.
Appendix B - Capital Programme Detail including Funding 2017/18 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>