

CABINET
31 JULY 2018

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2018/19

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital programme for 2018/19, as at the end of June 2018, and indicating its impact upon the approved capital programme for 2019/20 - 2021/22. The current estimate is a decrease in spend in 2018/19 of £2.298million from that reported in the Capital Programme Outturn report for 2017/18, and a decrease in spend in future years of £1.340 million. The most significant individual changes are the withdrawal of the Royston Leisure Centre project in 2018/19 and the removal of Disabled Facilities Grants which are now administered by Hertfordshire County Council.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of **£15.857million** in 2018/19 on the capital programme, paragraph 8.2 refers, and approves the adjustments detailed in table 3 which resulted in a net decrease on the working estimate of **£0.958million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2018/19 onwards as a result of the revised timetable of schemes detailed in table 2, decreasing the estimated spend in future years 2019/20 by **£1.340million**.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4, and the requirement to keep the capital programme under review for affordability.

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 5th June 2018.

7. BACKGROUND

- 7.1 In February 2018, Council approved the capital programme for 2018/19 to 2021/22. This was subsequently amended by reprogramming from 2017/18.
- 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 2018/19

- 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 2021/2 and the funding source for each capital scheme.
- 8.2 Capital expenditure for 2018/19 is estimated to be **£15.857million**. This is a reduction of **£2.298million** on that forecast in the 2017/18 Capital Programme Outturn report (reported to Cabinet on 19th June 2018). The decrease in spend in 2018/19 is largely due to the withdrawal of the Royston Leisure Centre project and re-profiling of spend into future years. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2018/19 £M	2019/20 £M	2020/21 to 2021/22 £M
Original Estimates approved by Full Council February 2018	12.511	1.828	2.737
Changes approved by Cabinet in 2017/18 Capital Outturn report	5.644	0	0
Revised Capital estimates at start of 2017/18	18.155	1.828	2.737
Changes at Q1 detailed in this report	-2.298	0.150	-1.490
Current Capital Estimates	15.857	1.978	1.247

8.3 Table 2 lists changes to the 2018/19 Capital Programme and the impact in subsequent years:

Table 2: Scheme Timetable Revision:

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

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
Property Improvements	875	100	-775	The forecast spend reflects the works that are planned for the current year. Condition surveys will be reviewed prior to next year to determine the works that will be undertaken, and if possible the allocated budget will be reduced.	775
Lairage Multi Storey repairs	124	4	-120	A Structural Engineer is currently performing monitoring works to ascertain the level of work required. The monitoring will last all year with work due to commence in 19/20	120
Disabled Facilities Grants	745	300	-445	All new casework is being handled by the Hertfordshire Home Improvement Agency (hosted by Hertfordshire County Council). The grant funding will still be spent within North Hertfordshire. The only possible additional approvals will be in respect of unforeseen works on cases where grants have already been approved. The commitments should progressively reduce as	-2,235

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
				works are completed on our outstanding cases and all cases are expected to be completed this financial year. Any costs incurred will be matched by a transfer of Grant from HCC.	
Total Minor (under £25k) slippage on other projects			0		0
Total Revision to Budget Profile			-1,340		-1,340

8.4 There are also changes to the overall costs of schemes in 2018/19. These changes total a net decrease of £0.958million and are detailed in Table 3. The increases in respect of three schemes (outdoor pools, storage facilities and AV equipment) are above the thresholds set in the Financial Regulations and require Cabinet's approval for them to continue:

Table 3: Changes to Capital Schemes Commencing in 2018/19:

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

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Comments
Royston Leisure Centre Extension	1,000	0	-1,000	The proposed business case for the development was determined not to be financially viable within the remaining contract period and therefore it will not progress.
St Marys Car Park Repair Steps	35	0	-35	The current health and safety issues have been resolved using revenue budgets
Hitchin & Letchworth Outdoor Pool Showers & Toilets	150	185	35	Tenders received for the outdoor pool toilet and shower refurbishment projects were not within the original budget, therefore, an increase is requested.
Storage Facilities-mezzanine floor	25	50	25	Original budget was based on an estimate, whereas the proposed increase is based on a detailed design and quotes that have been received.
Record Council Meetings – Audio Visual (AV) equipment	64	81	17	The increase partly reflects inflationary increases since the budget was originally set. The increase will also fund higher quality speakers and the ability to operate from the dias as well as from a central cabinet.
Other minor changes			0	
Total revision to scheme spend			-958	

Capital Programme 2018/19 Funding onwards

8.5 Table 4 below shows how the Council will fund the 2018/19 capital programme.

Table 4: Funding the Capital Programme:

	2018/19 Balance at start of year	2018/19 Forecast Additions	2018/19 Estimated Use of Funding	2018/19 Forecast Balance at end of year
	£M	£M	£M	£M
Useable Capital Receipts	3.090	2.500	(3.803)	1.787
Set-aside Receipts	10.252		(10.252)	0
<i>S106 receipts</i>			(0.356)	
<i>Other third party grants and contributions</i>			(1.446)	
Total	13.342	2.500	(15.857)	1.787

8.6 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 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 dependent on the value of the scheme and on this basis over the duration of the programme it should be anticipated that the total spend over the period could be around £2.2million higher than the estimated £19.082million.

- 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. A cash balance of £1.0million currently earns the Authority approximately £8k per year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments as cash balances reduce. When the Capital Financing Requirement (CFR) reaches zero the Council will need to consider borrowing for further capital spend and will need to start charging a minimum revenue provision to the general fund for the cost of capital. The CFR at the 31 March 2018 was negative £10.3million.
- 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 (e.g. 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 2018/19 onwards.
Appendix B, Capital Programme Detail including Funding 2018/19 onwards,

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 2018/19 Budget Estimates Book.