

CABINET
26 March 2019

PUBLIC DOCUMENT

TITLE OF REPORT: THIRD 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 December 2018, and indicating its impact upon the approved capital programme for 2019/20 - 2023/24. The current estimate is a decrease in spend in 2018/19 of £0.475million and an increase in spend in future years of £0.466 million. The most significant individual changes relate to the decommissioning of playgrounds and pavilions, and an increase in expenditure on those community projects funded from developer (Section 106) contributions.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of **£6.736million** in 2018/19 on the capital programme, paragraph 8.2 refers, and approves the adjustments detailed in table 3 which result in a net decrease on the working estimate of **£0.022million**.
- 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, increasing the estimated spend in future years 2019/20 by **£0.466million**.
- 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 18th January 2019.

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 and again in the First and Second Quarter monitoring reports.
- 7.2 The Medium Term Financial Strategy for 2018 to 2023 confirmed that the Council will seek opportunities to utilise capital funding 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 expected spend from 2018/19 to 2023/24 and the funding source for each capital scheme.

- 8.2 Capital expenditure for 2018/19 is estimated to be **£6.736million**. This is a reduction of **£0.475million** on the forecast in the second quarter report (reported to Cabinet on 18th December 2018). The decrease in spend in 2018/19 is largely due to the re-profiling of spend into future years. Table 1 below details changes to the capital programme, including those changes to planned capital spend in future years within the Investment Strategy approved by Full Council in February 2019.

Table 1- Current Capital Estimates

	2018/19 £M	2019/20 £M	2020/21 to 2023/24 £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 (reprogramming from 2017/18)	5.644	0	0
Revised Capital estimates at start of 2018/19	18.155	1.828	2.737
Changes at Q1	-2.298	0.150	-1.490
Changes at Q2	-8.646	6.387	1.000
Capital Programme 2019 – 2024 estimates approved by Full Council February 2019	0	-0.152	0.843
Changes at Q3 detailed in this report	-0.475	0.466	0
Current Capital Estimates	6.736	8.679	3.09

- 8.3 Table 2 itemises and explains the more significant changes (+/- £25k) 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
Baldock Town Hall Project	9	45	+36	As unplanned emergency asbestos works were required, other improvement works have been brought forward to coincide with these works.	-36

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
Channel shift - processing of housing register applications	40	0	-40	Budget unspent in 2018/19 as a potential partnership with other local authorities did not materialise. As a result, the Council will proceed with its initial plans to upgrade the software, with spend now anticipated in 2019/20.	40
Cyber Attacks - Events Monitoring Software Solution	30	0	-30	Although there has been no requirement to invest in 2018/19, following a clean bill of health from a Cyber Audit by SIAS and the Annual PSN Accreditation, the capital allocation will be required in 2019/20 to ensure the Council has the capability to respond to potential cyber attacks.	30
Decommissioning of Play Areas	130	20	-110	3 playgrounds out of the 6 identified have been converted to green space. Remainder will take longer due to the surrounding trees and bushes.	110
Refurbishment and improvement of community facilities	379	327	-52	Enhancement works at North Herts Minority Ethnic Forum are now scheduled for summer 2019.	52
Renovate play area at District Park, Great Ashby	75	0	-75	Play equipment has been ordered. Delivery and installation will be in the next financial year.	75
Storage Facilities	50	0	-50	This project is on hold pending a review of storage requirements being carried out by the Council's Asset Management Group.	50
Total Minor (under £25k) slippage on other projects			-145		145
Total Revision to Budget Profile			-466		466

8.4 There are also changes to the overall costs of schemes in 2018/19. These changes total a net decrease of £0.022million and are detailed in Table 3.

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
Decommissioning of Pavilions	120	40	-80	Costs of demolition were less than forecast.
Section 106 Projects	60	135	+75	To date, a total of £135k of S106 funds have been released for community schemes.
Other minor changes to schemes			-17	
Total revision to scheme spend			-22	

Capital Programme 2018/19 Funding

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 £M	2018/19 Forecast Additions £M	2018/19 Estimated Use of Funding £M	2018/19 Forecast Balance at end of year £M
Useable Capital Receipts	3.090	0.000	(0.327)	2.763
Set-aside Receipts	10.252		(5.639)	4.613
<i>S106 receipts</i>			(0.197)	
<i>Other third party grants and contributions</i>			(0.573)	
Total	13.342	0.000	(6.736)	7.376

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 are 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 (2018/19 to 2023/24) could be around £2.3million higher than the estimated £18.505million.
- 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 £10k 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). Where considered appropriate, major capital projects have also 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

- 16.1 Dean Fury, Corporate Support Accountant, Tel 474509,
Email: dean.fury@north-herts.gov.uk
- 16.2 Ian Couper, Head of Finance, Performance and Asset Management, Tel 474243
Email: ian.couper@north-herts.gov.uk
- 16.3 Antonio Ciampa, Accountancy Manager, Tel 474566
Email: antonio.ciampa@north-herts.gov.uk
- 16.4 Reuben Ayavoo, Senior Policy officer, Tel 47212
Email: reuben.ayavoo@north-herts.gov.uk

17. BACKGROUND PAPERS

- 17.1 2018/19 Budget Estimates Book.