

**FINANCE, AUDIT AND RISK COMMITTEE
3 JUNE 2019**

PUBLIC DOCUMENT

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2018/19

REPORT OF : SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER : CLLR IAN ALBERT

COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 As at the end of financial year 2018/19, there is a reduction in spend compared to quarter 3 of **£1.162million**. The majority of this change is for project underspends **£0.676million** and expenditure that will now be incurred in 2018/19. The forecast increase in spend in future years is **£0.542million**.

2. Recommendations

- 2.1 That Cabinet notes expenditure of **£5.574million** in 2018/19 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 **£0.620million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2019/20 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2019/20 by **£0.541million** (re-profiled from 2018/19).
- 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 **£0.626million** of capital receipts towards the 2018/19 capital programme and the drawdown of **£4.431million** 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 18th March 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 changes in forecasts at quarter 1, 2 and 3. In February 2019, Council approved the capital programme for 2019/20 to 2022/23.
- 7.2 The Medium Term Financial Strategy for 2019 to 2024 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 2019/20 to 2022/23 and the funding source for each capital scheme.
- 8.2 The outturn capital expenditure for 2018/19 is **£5.574million**. This is a reduction of **£1.162million** 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 and underspend on projects. Table 1 below details the changes from what was reported at Quarter 3.

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

| | 2018/19 £M | 2019/20 £M | 2020/21 to 2022/23 £M |
|----------------------------------|---------------|---------------|-----------------------------|
| Estimate as at Q3 2018/19 | 6.736 | 8.679 | 1.890 |
| Change from Q3 Estimate | -1.162 | 0.541 | 0 |
| Outturn 2018/19 | 5.574 | 9.220 | 1.890 |

- 8.3 Table 2 lists the schemes in the 2018/19 Capital Programme that will start or continue in 2019/20:

Table 2: Scheme Timetable Revision:

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

| Scheme | 2018/19 Working Budget £'000 | 2018/19 Outturn £'000 | Variance £'000 | Comments | Estimated impact on 2019/20 onwards £'000 |
|---|---------------------------------------|-----------------------------|-------------------|---|---|
| Provide Housing at Market Rents | 500 | 18 | -482 | Work is in progress to redevelop a Council office building (Harkness Court) in to residential. Planning permission and Building Regulation approval have been obtained. Tenders have now been received for the building work and the estimated spend in 2019/20 is £208,000. The Council is in the process of setting up a property company, which will enable the letting of residential properties. | 482 |
| Museum Services Development | 80 | 50 | -30 | The land formerly known as 14/15 Brand Street was secured in February 2019. The Museum Team has been working hard to complete these areas but some works are still to be carried out. As a result, this budget will still be required in the 2019/20 financial year as we move towards full opening of the facility this summer. | 30 |
| | | | | | |
| Other minor slippage | | | -30 | | 30 |
| Total Revision to Budget Profile | | | -542 | | |

- 8.4 There are also changes to the overall costs of schemes in 2018/19. These changes total a net decrease of £0.620million 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 Outturn £'000 | Increase/ Decrease £'000 | Comments |
|--|---------------------------------------|-----------------------------|--------------------------------|---|
| Waste and Street Cleansing Vehicles | 3,600 | 3,178 | -422 | The budget was an estimate prior to the commencement of the new shared service contract. The outturn reflects both the actual vehicles being used by the contractor and how they have been procured. Only those vehicles that have been purchased or leased on a long-term basis will be reflected as a capital cost. |
| Disabled Facility Grants (DFG) | 300 | 122 | -178 | Some grants did not proceed or were cancelled. There were also delays in undertaking certain works and other cases were funded from other sources. |
| Other minor changes | | | -20 | |
| Total revision to scheme spend | | | -620 | |

- 8.5 The following capital schemes have been completed during 2018/19:

- Waste and Street Cleansing Vehicles
- Purchase of 14 & 15 Brand Street
- Hitchin Swim Centre lift
- Ultra Violet Water System
- Hitchin Outdoor Pool Showers and WCs
- Letchworth Outdoor Pool Showers and WCs
- Food Waste Caddies purchase
- Wilbury Hills Cemetery Paths
- Bancroft Recreation Ground Pathways Renewal
- Various IT Projects

Capital Programme 2018/19 Funding onwards

- 8.6 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 Additions £M | 2018/19 Funding Used £M | 2018/19 Balance at end of year £M |
|--|--|-------------------------------------|--|--|
| Useable Capital Receipts | 3.090 | 0.116 | (0.626) | 2.580 |
| Set-aside Receipts | 10.252 | | (4.342) | 5.910 |
| S106 receipts | | | (0.235) | |
| Other third party grants and contributions | | | (0.371) | |
| Total | 13.342 | | (5.574) | |

- 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 have been £1.313million higher than the originally budgeted £11.11million.
- 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 £10k 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 2019 is negative £6million.

- 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 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.