

CABINET
26 SEPTEMBER 2017

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

10

TITLE OF REPORT: FIRST QUARTER CAPITAL MONITORING 2017/18

REPORT OF THE HEAD OF FINANCE, PERFORMANCE AND ASSET MANAGEMENT
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 2017/18, as at the end of June 2017, indicating its impact upon the approved capital programme for 2018/19 - 2020/21. The current estimate is a decrease in spend in 2017/18 from that reported in the Capital Programme Outturn report for 2016/17 of £5.451million, and an increase in spend in future years of £5.234 million. The most significant individual change is that the Council was not granted permission from DCLG to make a Capitalised Pension Fund Contribution.

2. RECOMMENDATIONS

2.1 That Cabinet notes the forecast expenditure of **£15.139million** in 2017/18 on the capital programme, paragraph 8.2 refers, and approves the changes detailed in table 3 which resulted in a net decrease on the working estimate of **£0.217million**.

2.2 That Cabinet notes the changes 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 **£5.234million** (re-profiled from 2017/18). These will be incorporated in to the draft capital programme for 2018/19 onwards.

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 27th June 2017.

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.
- 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 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 2017/18 to 2020/21 and the funding source for each capital scheme.
- 8.2 Capital expenditure for 2017/18 is estimated to be **£15.139million**. This is a reduction of **£5.451million** on that forecast in the 2016/17 Capital Programme Outturn report (reported to Cabinet on 13th June 2017). The decrease in spend in 2017/18 is largely due to re-profiling spend into future years. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2017/18 £M	2018/19 £M	2019/20 to 2020/21 £M
Original Estimates approved by Full Council February 2017	8.465	4.788	3.197
Changes approved by Cabinet in 2016/17 Capital Outturn report	12.125	-0.365	0.025
Revised Capital estimates at start of 2017/18	20.590	4.423	3.222
Changes detailed in this report	-5.451	5.234	0
Current Capital Estimates at Q1	15.139	9.657	3.222

8.3 Table 2 lists changes to the 2017/18 Capital Programme and the impact in subsequent years:

Table 2: Scheme Timetable Revision:

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

Scheme	2017/18 Working Budget £'000	2017/18 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2018/19 onwards £'000
Pension Capitalisation	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 NHDC 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. Officers will continue to seek a change in the decision, and can also look at using the Capital Receipts Direction when sufficient capital receipts are generated.	2,500
Community Facilities Refurbishment	586	200	-386	Revised estimate is based on a forecast of the number of applications in each year and the time lag between the grant being approved and costs being incurred.	386
Provide Housing at Market Rents through NHDC Property Company	550	200	-350	Spend in 17/18 likely to be on the renovation of existing properties only. Property purchases will be made in future years.	350
Cycle Strategy Implementation	278	0	-278		278
Transport Plans Implementation	209	0	-209		209
Green Infrastructure Improvements	185	0	-185		185
Property Improvements	640	380	-260	Some of the works identified from condition surveys are no longer required as some buildings have or are being reprioritised in how they are managed, e.g. disposal, full repairing leases, possible future change of use. The overall list of condition survey works still requires the full budget allocation.	260

Scheme	2017/18 Working Budget £'000	2017/18 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2018/19 onwards £'000
Trial Installation of On Street Charging	50	0	-50	These projects are subject to the agreed outcomes from the Parking Strategy Review, to be completed by March 2018.	50
Roll Out of On Street Parking Charging Pay & Display	235	0	-235		235
Hitchin Swim Centre Car Park	276	50	-226	The revised spend profile is based on a parking survey being undertaken, the Council being successful with the Public Enquiry, the appointment of consultants to finalise the design and produce tender documents, with an aim to undertake the work next financial year.	226
Bancroft Recreation Ground MUGA	170	0	-170	This project is dependent on external funding, which is unlikely to be secured until the next financial year.	170
Lairage Multi Storey Structural Repairs	126	6	-120	A Structural Engineer is currently performing monitoring works to ascertain the level of work required.	120
Walsworth Common Pitch Improvements	103	0	-103	This project is dependent on S106 funding, which is unlikely to be received until late 2017/18.	103
Off Street Car Parks Resurfacing	151	60	-91	A condition survey of car parks is currently being undertaken to establish the extent of works needed over the next several years.	91
Royston Civic Centre Redevelopment	41	0	-41	No longer needed for this project. Given that there has been no further action in developing this site, and the project is GAF funded, it is requested that this resource is reallocated to the Transport Plans budget given that there are likely to be projects emerging from these in the near future.	41
Walsworth Common Car Park	30	0	-30	These works cannot commence until after the bridge has been repaired and the pitch has been finished	30
Other minor changes			0		0
Total Revision to Budget Profile			-5,234		5,234

8.4 There are also changes to the overall costs of schemes in 2017/18. These changes total a net reduction of £0.260million 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 Forecast Spend £'000	Difference £'000	Comments
Storage Facilities at Works Road	185	40	-145	Resource no longer needed. IT works to the property will be funded from the Disaster Recovery Capital budget
Refurbishment of DCO	5,105	5,268		
Careline refurbishment costs (Harkness Court)	43			
Warren Car Park Redevelopment	100	0	-100	Resource no longer needed. This budget was identified in case we wished to pursue a multi-storey car park if the civic centre site was developed and the car parking spaces were reduced. There has been little/no appetite for progressing development on the civic centre site.
Letchworth Multi Storey Car Park Enhancement	70	0	-70	Budget remaining after the completion of the enhancements to the multi-storey car park.
Dog / Litter Bins	0	40	40	Outturn represents the purchase of 80 new Litter Bins following the removal of 175 Dog Bins. This will result in a revenue saving on the emptying of Dog Bins.
Trip Hazards Hitchin Town Centre	25	0	-25	These works will be funded from the General Fund.
Other minor changes			-37	
Total revision to scheme spend			-217	

Capital Programme 2017/18 Funding onwards

8.5 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	2017/18 Forecast Additions	2017/18 Estimated Use of Funding	2017/18 Forecast Balance at end of year
	£M	£M	£M	£M
Useable Capital Receipts	3.221	1.040	(2.406)	1.855
Set-aside Receipts	16.642		(11.423)	5.219
<i>S106 receipts</i>			(0.565)	
<i>Other third party grants and contributions</i>			(0.745)	
Total	19.863	1.040	(15.139)	7.074

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". 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 £2.802million higher than the estimated £28.017million.

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 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 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>