

Meeting: EXECUTIVE/COUNCIL
Portfolio Area: Resources/Housing
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Council Agenda Item:

16

2014/15 CAPITAL EXPENDITURE OUTTURN KEY DECISION

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1. PURPOSE

- 1.1 To provide Members with the outturn position on the 2014/15 capital programme including the resources used to fund that expenditure.
- 1.2 To provide Members with an update on the Council's Capital Strategy and any changes to the 2015/16 capital programme.
- 1.3 To provide Members with an update on the actual 2014/15 Minimum Revenue Provision (MRP) and the revised MRP for 2015/16.
- 1.4 To provide Members with an update on the resources available to fund the Capital Strategy.

2. RECOMMENDATIONS

- 2.1 That the 2014/15 General Fund capital expenditure outturn of £5,008,516 be approved, as summarised in paragraph 4.1.1 and detailed in Appendix A to this report.
- 2.2 That the 2014/15 HRA capital expenditure outturn of £16,233,798 be approved, as summarised in paragraph 4.5.1 detailed in Appendix B to this report.
- 2.3 That the funding applied to the 2014/15 General Fund capital programme be approved as summarised in paragraph 4.2.5 and detailed in Appendix A to this report.
- 2.4 That the funding applied to the 2014/15 HRA capital programme be approved as summarised in paragraph 4.6.1 and detailed in Appendix B to this report.
- 2.5 That the 2015/16 General Fund capital programme total increase of £18,420 be approved as summarised in paragraph 4.4.2 and detailed in the Appendix A.
- 2.6 That the 2015/16 HRA capital programme total decrease of £2,340,130 be approved as summarised in paragraph 4.7.1 and detailed in Appendix B to this report.

2.7 That Executive recommend to Council the virement of £3.817 million between the Decent Homes budget in 2015/16 and the New Build Programme and the use of £1,635,860 New Build Receipts for the New Build Programme.

3. BACKGROUND

3.1 The 2014/15 capital programme was last approved by Members at the March Executive as part of the 3rd quarter monitoring report. The 2014/15 revised General Fund capital programme was projected to be £5,280,330 and the 2014/15 revised HRA capital programme was projected to be £14,686,260, a total of £19,966,590.

3.2 The 2014/15 outturn position included in this report is subject to External Audit and may change as a result of the Auditor's findings. The audited accounts will be presented to the September Audit and Statement of Accounts Committees.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2014/15 GENERAL FUND CAPITAL PROGRAMME

4.1.1 Actual expenditure on the General Fund capital programme was £5,008,516, an under spend of £271,814 against a revised capital programme for 2014/15 of £5,280,330. This was partly due to slippage on schemes with £156,130 being requested to be carried over into 2015/16. The slippage relates to a number of schemes of which £262,280 were underspends and requested to be transferred to 2015/16 and the remaining £106,150 were overspends which were spent in advance of the 2015/16 budget giving a net slippage for approval of £156,130.

2014/15 Capital Strategy Outturn General Fund Slippage to 2015/16	Budget Approved at Q3 Outturn £	Actual Expend iture 2014-15 £	(Under)/ Over spend £	Slippage to 2015-16 £
Ridlins End Play Area S106	0	2,610	2,610	(2,610)
Office & Facilities Upgrade (Ventures, PRG)	7,700	0	(7,700)	7,700
Leisure Centre	15,000	27,974	12,974	(12,970)
Reconstruction of Footways	10,000	18,199	8,199	(8,200)
Residential Parking	72,000	82,350	10,350	(10,350)
Town Centre Cross Canopies	13,000	23,918	10,918	(10,920)
Grounds Equipment	84,580	89,038	4,458	(4,460)

2014/15 Capital Strategy Outturn General Fund Slippage to 2015/16	Budget Approved at Q3 Outturn £	Actual Expenditure 2014-15 £	(Under)/ Over spend £	Slippage to 2015- 16 £
Archer Road Neighbourhood Centre 2014 (General Fund)	60,000	55,597	(4,403)	4,400
Play Areas Fixed Play	20,000	19,402	(598)	600
FVP paths and roads	60,000	47,674	(12,326)	12,330
Bowling Green War Memorial	40,000	32,800	(7,200)	7,200
Skate Park	1,250	2,207	957	(960)
Peartree Park Football Pitch Improvements	0	15,096	15,096	(15,100)
Depots	2,000	2,601	601	(600)
Cemeteries Fencing/Landscape	15,930	8,074	(7,856)	3,500
Park Pavilions	25,130	55,882	30,752	(30,750)
Garages	228,630	156,525	(72,105)	72,100
Energy Conservation	12,910	8,982	(3,928)	3,930
Council Offices	100,000	55,338	(44,662)	44,660
Markets	8,750	12,984	4,234	(4,230)
Shops	7,500		(7,500)	7,500
Parts of Swingate House (Investment, formerly non-operational)	8,250	1,044	(7,206)	7,210
Museum	5,000		(5,000)	5,000
Online Customer Account	22,750	19,772	(2,978)	2,980
Shared Services Set Up	27,500		(27,500)	27,500
ThinApp Deployment	15,000	8,981	(6,019)	6,020
Public Wireless Facility	15,000		(15,000)	15,000
Harmonising Infrastructure Technology (for shared service)	25,000	663	(24,337)	24,340
Planning/Building Control Electronic Document Management (EDM)	17,000	11,685	(5,315)	5,310
Uniform Licence	15,670	10,667	(5,003)	5,000
Implementation of Uniform Modules		5,000	5,000	(5,000)
Total	935,550	775,060	(160,490)	156,130

Note: The difference between Total Over/(Underspend) and Total Slippage Requested Carried Forward to 2015/16 relates to Cemeteries Fencing/Landscape where £4,360 of the under spend was not requested for carry forward to 2015/16

4.1.2 There were also net under spends of £115,681 with the remaining budgets were not required and not required in future years.

2014/15 Capital Strategy Outturn General Fund (Under)/ Over Spends	Approved Q3 Outturn £	Expenditure 2014-15 £	(Under)/ Over spend £
Multi Storey Car Parks	232,460	222,712	(9,748)
Town Centre Carriageways	42,000	30,880	(11,120)
Private Sector Grants	25,000	0	(25,000)
Disabled Facilities Grants	350,000	340,775	(9,225)
Benches	6,090	0	(6,090)
Allotments - General	56,900	45,231	(11,669)
Cemetery Buildings	5,650	0	(5,650)
Ridlins Track Equipment	5,000	0	(5,000)
Play Centre	17,580	5,305	(12,275)
Community Centres	50,000	33,048	(16,952)
Automated Telling Machine	7,000	12,465	5,465
New Data Centre	63,080	68,276	5,196
Variances less than £5,000	3,192,270	3,183,017	(13,613)
Total	4,053,030	3,941,709	(115,681)

4.2 2014/15 GENERAL FUND CAPITAL RESOURCES

4.2.1 The actual General Fund capital receipts received in 2014/15 were £1,319,972 which was lower than the working budget of £1,602,192, with some sales to be realised in 2015/16.

4.2.3 The Council has a requirement to make a General Fund Minimum Revenue Provision (MRP) to reflect the repayment of the borrowing over the life of the assets funded this way. The Council makes this payment one year in arrears (2014/15 payment is made in 2015/16), regardless of whether physical borrowing has taken place. The total MRP calculated for 2015/16 is £653,628, this is the calculated amount for all borrowing required from 2011/12 onwards. The table below details the budgeted and actual MRP cost for 2014/14 and 2015/16.

<u>Minimum Revenue Provision Calculation</u>			
<u>2014/15</u> <u>Actual</u>	<u>2015/16</u> <u>Estimate</u>	<u>2015/16</u> <u>Actual</u>	<u>Variance</u>
£	£	£	£
98,950	98,950	98,950	2011/12 Prudential borrowing
423,833	423,833	423,833	2012/13 Prudential borrowing
78,497	78,497	78,497	2013/14 Prudential Borrowing
21,810	52,348	52,348	2014/15 Prudential Borrowing
623,090	653,628	653,628	0

4.2.4 The decision whether to borrow from the market or the Public Loans Works Board is a Treasury Management decision. Interest rates are at an historic low and the Council has chosen not to externally borrow but to absorb the expenditure by effectively reducing its investments which are currently earning 0.5% interest. The General Fund has adopted this policy for the last three years but the current cash flow is likely to diminish over the next few years and external loans may be required in the future. The currency markets are currently speculating that an interest rate rise may happen in second half of 2016 and it maybe that loans may be taken to ensure a competitive rate even if investment balances are still relatively high.

4.2.5 The capital programme also uses grants and contributions from Government and third parties such as developers in the form of S106 or planning agreements. Most of this income is linked to specific projects and cannot support an unrelated scheme in the capital programme. The current capital strategy contains S106's that have been earmarked to support current and future capital schemes. The value of resources available, (including capital receipts) to support the capital programme as at 31 March 2015 was £2,344,466. The resources used and available to fund future capital expenditure is summarised in the following table:

	Brought Forward £	Received in Year £	Used in Year £	Fund Future Year Expenditure £
Usable Capital Receipts	0	(1,319,972)	1,251,475	(68,497)
Transferred from HRA		(800,000)		(800,000)
Section 106 Receipts	(864,721)	(219,720)	256,532	(827,909)
Grant and Other Contributions GF	(1,708,836)	(284,492)	1,345,269	(648,060)
Sub Total Resources	(2,573,557)	(2,624,184)	2,853,275	(2,344,466)
Borrowing - applied to finance 2014/15 capital programme not required to be taken out		(1,308,696)	1,308,696	0
Total Resources For Capital Programme	(2,573,557)	(3,932,880)	4,161,971	(2,344,466)

4.3 LOCAL AUTHORITY MORTGAGE SCHEME (LAMS) UPDATE

4.3.1 Members approved as part of the 2012/13 capital programme £1.5Million of expenditure relating to LAMS, of which £1Million was funded from the County Council (HCC), deposited with Lloyds TSB bank and a further £0.5Million funded by the Council (SBC) deposited with the Leeds Building Society. As at the 31 March 2015, the allocation of mortgages is summarised below:

LAMS Update Providers	Funding £Million	LAMS Advanced £000's	No.	Average LAMS Advance £000's	Average Mortgage Value £000's	Average Property Value £000's
Lloyds TSB	1	991	33	30	152	163
Leeds BS	0.5	402	12	34	160	168
Stevenage	1.5	1,393	45			

4.3.2 There are no arrears or defaults on Stevenage LAMS as at 31 March 2015. Both the Lloyds and Leeds schemes are now closed.

4.4 GENERAL FUND CAPITAL EXPENDITURE 2015/16

4.4.1 The **General Fund programme** has been adjusted for the slippage of £156,130 as identified in paragraph 4.1.1.

4.4.2 Members approved the 2015/16 General Fund capital programme in February 2015 and this was subsequently updated at March Executive, since this last approval the 2015/16 General Fund programme has increased by £18,420 in total including slippage of £156,130 and reductions to 2015/16 budgets £34,140. There has been slippage of £170,070 from 2015/16 on the Archer Road Regeneration Centre due to re-profiling of the contract. There has also been a total increase of £70,900 to various schemes within the 2015/16 capital programme which contribute to this total increase. The total increase is detailed in the table below:

GF Capital Programme Change to 2015/16 Working Budget & 2016/17 & 2017/18 Projected Budget	Increase (Decrease) to 15/16 Working Budget £	Increase to 2016/17 £	Increase to 2017/18 £	Reason
Slippage as detailed in Paragraph 4.4.1 Above	156,130			Slippage from 2014/15
Archer Road New Community Centre Re-profiled	(174,470)	122,394	52,090	Slippage to 2016/17 & 2017/18 (paragraph 4.4.3)
Reductions to 2015/16 Budget				
Decommissioning Disable Lift (Daneshill House next to Council Chambers)	(5,000)			Removed from Capital programme
Reconstruction of Footways	(300)			Reduction in budget
Hertford Road Play Area	(28,840)			Scheme Revised virement of S106 funding to Ridlins End Play Area
Increases to 2015/16 Budget				
Ridlins End Play Area	18,850			Additional expenditure to include facilities for all ages (paragraph 4.4.5)
Peartree Park Football Pitch Improvements	15,100			New scheme relating to sport pitch improvements funded from S106 (paragraph 4.4.5)
Folding Inserting Machine	13,950			New scheme for purchase of equipment funded by Government Grant (paragraph 4.4.5)
Vehicles - Overspend in 2015/16	16,000			Additional vehicle costs identified
Bowling Green War Memorial - Additional Works	7,000			Additional costs of new fencing
Total Change in Working Budget and Projected Budgets	18,420	122,394	52,090	

4.4.3 The spend projection of the redevelopment scheme at Archer Road has been re-profiled to reflect the revised delivery of the scheme the revision is set out in the table below:

	Actual 2013/14 £	Actual 2014/15 £	Forecast 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £	Total Scheme £
General Fund	15,550	55,600	939,580	164,260	52,090	1,227,080
HRA	102,390	349,910	1,118,490	1,902,380	809,250	4,282,420
Total Scheme	117,940	405,510	2,058,070	2,066,640	861,340	5,509,500

4.4.4 The General Fund programme also includes New Homes Bonus funded schemes of £1,206,700

4.4.5 Ridlins End Play area and Peartree Park Football Pitch Improvements schemes have increased from the latest approved budget but are both fully funded from S106. In addition there is also a new scheme for the purchase of a Folding and Inserting Machine for Electoral Services which has been funded in full by Government Grant.

4.5 HRA CAPITAL PROGRAMME

4.5.1 Expenditure on the HRA capital programme was £16,233,798, an increase of £1,547,538 to the working budget. However at the January Executive Members approved slippage of £4,030,000 from 2014/15 to 2015/16 and a proportion of this was actually spent in 2014/15. The additional spend relates to a number of schemes and is identified in Appendix B and is summarised in the table overleaf:

2014/15 Capital Strategy Outturn HRA Slippage to 15/16	Approved Q3 Outturn £	Expenditure 2014-15 £	Total (Under)/ Over spend £	(Under)/Over spend not Carried Forward to 2015/16 £	Net Slippage Requested Carried forward to 2015-16 £
Decent Homes	8,377,690	9,490,071	1,112,381		
New Build	2,373,490	2,678,603	305,113		(305,110)
Health & Safety	935,590	1,067,271	131,681		(250,000)
Planned Works	1,347,920	1,485,457	137,537		(848,170)
LSSO	9,750	9,750	0		
Other HRA schemes	1,270,820	1,187,389	(83,431)		(200,000)
Equipment	244,000	245,212	1,212	1,212	
ICT (Various)	127,000	70,045	(56,955)	(2,450)	54,510
Total	14,686,260	16,233,798	1,547,538	(1,238)	(1,548,770)

4.5.2 The number of properties made decent in 2014/15 were 1,655, (2013/14, 880). The numbers for individual elements are:

- Kitchens – 458 (2013/14, 606)

- Bathrooms – 555 (2013/14, 603)
- Rewires – 228 (2013/14, 367)
- Heating – 659 (2013/14, 848)
- Doors – 484 (2013/14, 0)

4.6 HRA CAPITAL RESOURCES

4.6.1 The value of resources available, (including capital receipts) to support the capital programme as at 31 March 2015 was £24,568,921. The resources used and available to fund future capital expenditure is summarised in the following table:

	Brought Forward £	Received in Year £	Used in Year £	Fund Future Year Expenditure £
Major Repairs Reserve (Depreciation)	(4,607,665)	(10,807,587)	3,049,452	(12,365,800)
Transferred to General Fund			800,000	800,000
Usable Capital Receipts	(5,915,101)	(8,273,937)	1,337,336	(12,851,702)
Grant and Other Contributions		(7,584,626)	7,433,207	(151,420)
TOTAL	(10,522,766)	(26,666,150)	12,619,995	(24,568,921)

4.6.2 The actual HRA capital receipts received (net of costs) in 2014/15 were £9,073,937 (2013/14, £5,764,792) of which £784,509 (2013/14, £711,695) was paid to the Government as 'pooled' HRA receipts. The receipts are made up as follows:

Sales 2014/15	Receipts (net of costs) £	Debt Provision Receipts £	New Build Receipts £	Non Pooled Receipts £	Total Receipts for Capital £	Total paid to the Gov't £
Balance Brought Forward	0	3,105,288	2,502,018	307,998	5,915,304	0
Right to Buy (97 in total)	8,847,260	2,712,832	5,034,625	331,911	8,079,368	767,689
Other Disposals	226,677	0	0	209,857	209,857	16,820
Total	9,073,937	5,818,119	7,536,643	849,766	14,204,528	784,509
Used in year		695,137	346,625	311,064	1,352,826	
Transferred to General Fund Capital Reserve		800,000			800,000	
Carry Forward		4,322,982	7,190,018	538,702	12,051,702	

4.6.3 The Right To Buy (RTB) receipts are made up of a number of categories which are:

- **Attributable Debt costs** - An amount equivalent to an assessment of the debt that could be supported by the net rent income of additional dwellings sold over and above those taken into account under the Council's self-financing debt settlement.
- **Local Authority Share** - Intended to reflect the 25% share of receipts that the Council would have retained under the old capital receipts pooling

system prior to self-financing. This figure is capped and in 2014/15 this cap was £83,028 per quarter.

- **Government Share** - Intended to compensate the government for the 75% share of receipts that would have been pooled under the old system. Once again this figure is capped and in 2014/15 this cap is set at £191,922 per quarter
- **New Build Provision** – (one for one receipts) Once all the above figures are calculated, if there are any receipts remaining in the quarter then these are available for spend on new build provision. These receipts can only be used up to 30% for any one scheme and are repayable to the Government after three years (plus interest at 4% above the base rate) if not used to fund new build provision.

4.6.4 The HRA RTB receipts used in year were £1,352,826 and a balance of £12,051,702 is available for future use.

4.7 HRA CAPITAL EXPENDITURE 2015/16

4.7.1 **The 2015/16 HRA programme** has been reduced to reflect the additional actual spend compared to the working budget in 2014/15 of £1,548,770 as identified in paragraph 4.5.1. However, the 2015/16 HRA programme is now projected to be £28,183,140 which is £2,340,130 lower than the last approved budget, the total decrease is detailed in the table below:

HRA Capital Programme Change to 2015/16 Working Budget & 2016/17 & 2017/18 Projected Budget	Increase (Decrease) to 15/16 Working Budget £	Increase (Decrease) to 2016/17 £	Increase Decrease to 2017/18 £	Reason
Spent in 2014/15	(1,548,770)			Slippage from 2014/15 Paragraph 4.5.1 (Monies spent in advance)
Decent Homes	(3,817,000)	3,817,000		Virements Between Schemes and between years (paragraphs 4.7.3 & 4.7.4)
New Build Unidentified	5,452,860	(5,452,680)		
Archer Road New Build Re-profiled	(2,494,220)	1,684,970	809,250	Slippage to 2016/17 & 2017/18 (paragraph 4.4.3)
LSSO	67,000			Additional Budget Required
Total Budget adjustments	(2,340,130)	49,290	809,250	

4.7.2 The reasons for the programme changes are: the Project delivery of Archer Road New Build has been re-profiled, as detailed in paragraph 4.4.3 above.

- 4.7.3 The Capital Strategy report to the March Executive proposed that £3.8M from the housing capital programme be deferred to 2016/17 as officers were concerned that contractors may not be able to deliver the programme during the year as a result of the previously reported delays in major contract award / mobilisation. Members asked for further consideration to be given to this issue prior to making a decision on the proposed deferral.
- 4.7.4 Accordingly officers recommend that the monies are used in 2015/16 to increase the number of open market acquisitions. £1.63m of the one for one receipts will be used which results in a total budget increase of £5.45m. The budget will be reduced by a compensating amount in 2016/17 and major works funding of £3.817m will be spent in that year.
- 4.7.5 Switching the spend to the new build programme does not reduce any one for one receipts that may be due back to the government but it does mean that circa an additional 32 properties can be acquired at 2015/16 prices rather than 2016/17 prices. The latest projections for the return of one for one receipts will be highlighted within the refreshed HRA Business Plan at the October Executive.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

- 5.2.1 None identified at this time.

5.3 Policy Implications

- 5.3.1 The approval of the revised budget framework includes a link for the Council's service planning requirements to ensure service priorities are identified. In addition the budget framework represents a development of a policy led budgeting approach across Council services and the overall Capital Strategy.

5.4 Equality and Diversity Implications

- 5.4.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA capital programme. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

5.5 Risk Implications

- 5.5.1 The significant risks associated with the capital strategy are largely inherent within this report.
- 5.5.2 If the HRA procurement of contracts is further delayed it could lead to more works not being completed in the current financial year.
- 5.5.3 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable

assessment has been made in the prioritisation process to try to keep this risk to a minimum. However, it cannot be forecast fully.

- 5.5.4 The delivery of the additional HRA properties as recommended in paragraph 4.7.3-4.7.5 are subject to the properties valuation report, price and the impact on the HRA Business Plan.

BACKGROUND DOCUMENTS

- BD1 - Capital Strategy Update January 2015 (Executive)
- BD2 - Capital Strategy February 2015 (Council)
- BD3 - Capital Strategy March 2015 (Executive)

APPENDICES

- Appendix A – General Fund 5 Year Capital Strategy
- Appendix B – HRA 5 Year Capital Strategy