Part I – Release to Press

Meeting:	**EXECUTIVE / COUNCIL**	**Agenda Item:**	**5B**
Portfolio Area:	Resources		
Date:	**22 FEBRUARY 2017 / 28 FEBRUARY 2017**		

2017/18 FINAL CAPITAL FORWARD PLAN & 5 YEAR CAPITAL STRATEGY UPDATE

KEY DECISION

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1. PURPOSE

1.1 To approve revisions to the 2016/17 General Fund and Housing Revenue Account Capital Programme and approve the Capital Programmes for 2017/18 for recommendation to Council.

1.2 To provide Members with an update on the Council's 5 Year Capital Strategy and the resources available to fund the Capital Strategy.

1.3 To update Members on the work of the Leaders Financial Security Group (LFSG) in reviewing all General Fund capital bids prior to inclusion in the draft 2017/18 onwards Capital Strategy.

2. RECOMMENDATIONS

That the following proposals be recommended to Council on the 28 February 2017;

2.1 That the revised General Fund and HRA 2016/17 capital programme, as detailed in Appendix A and Appendix C to this report be approved.

2.2 The 2017/18 General Fund Capital Programme as detailed in Appendix A to this report be approved.

2.3 The 2017/18 HRA Capital Programme as detailed in Appendix C to this report be approved.

2.4 That the updated forecast of resources as summarised in Appendix A (General Fund) and Appendix C (HRA) to this report be approved.

2.5 That the transfer of any unused General Fund borrowing costs to the Capital Reserve, (paragraph 4.4.3 refers) be approved.

2.6 That the growth bids identified for inclusion in the Capital Strategy (Appendix B and D) be approved.

2.7 That the work undertaken by LFSG on behalf of the Executive in reviewing and challenging the General Fund Capital Strategy be noted.

2.8 That a review of site disposals is carried out during 2017/18 to see if the timing of the sites in the programme can be brought forward for disposal and if any additional/alternative sites can be identified.

3. BACKGROUND

3.1 **General Fund** – Over the last few years the General Fund capital programme has faced considerable financial constraints as the projected need to spend outstripped the ability to fund the programme from capital resources, leading to an increasing need to borrow. Based on officers' assessments of capital works required just to our existing assets and the forecasted need to borrow would have seen an ever increasing pressure on the General Fund which would reduce resources available to fund services.

3.2 In addition the Strategic Management Board (SMB) and Member Ward inspections has given rise to the Neighbourhood improvement agenda as a 'Future Town Future Council' (FTFC) priority, identifying the need for further capital works.

3.3 Officers have put in place a number of measures to mitigate the impact of limited capital resources as outlined above. These include:

i. Establishing a funding stream from the General Fund and New Homes Bonus to contribute to a capital reserve.
ii. Limit capital works to priority works (fix on fail).
iii. Increase the life of the vehicle fleet from an average five to seven years.
iv. Zero base the capital programme to ensure that all capital schemes are bid for and prioritised based on a set of criteria.
v. Limit borrowing to a business case need and those schemes which give a return on investment.

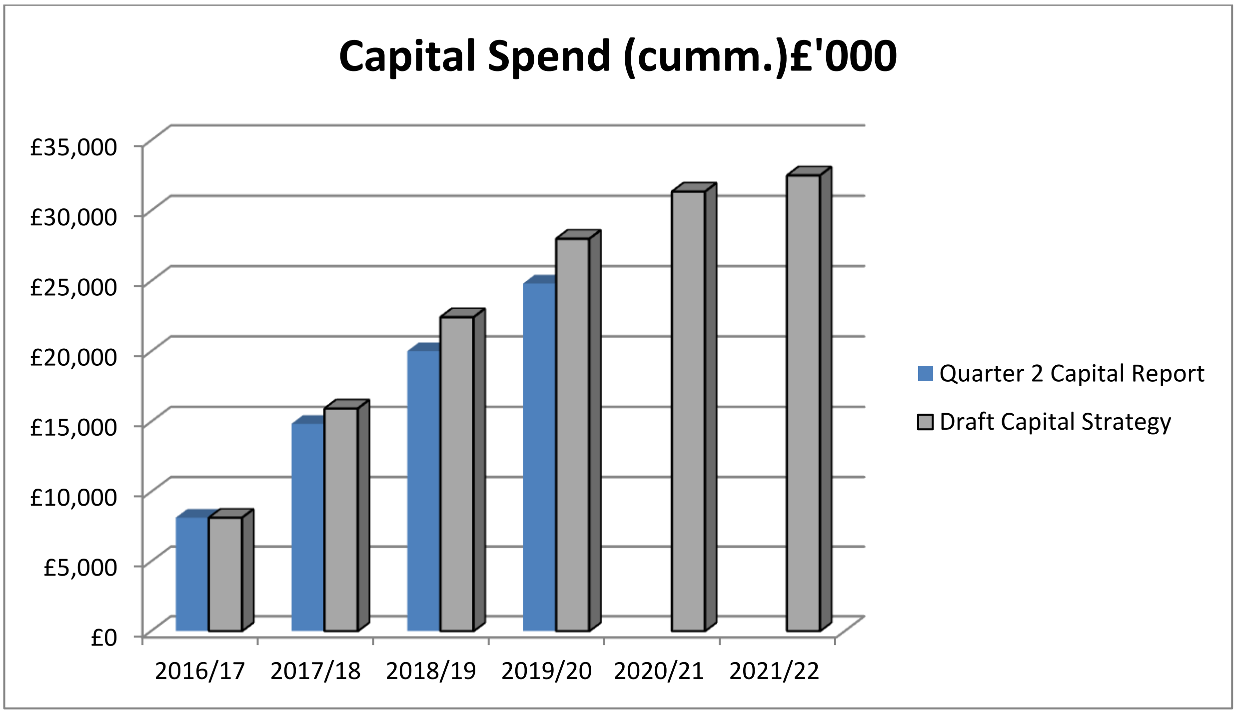
3.4 From 2015/16 all capital schemes have been classified and prioritised to determine whether they should be included in the Capital Strategy. For 2017/18 this approach is still in place but has been slightly refined to identify FTFC priorities, schemes have been classified as follows:

- Category 1 : FTFC
- Category 2 : Income generating asset schemes (Financial Security)
- Category 3 : Mandatory requirements
- Category 4 : Schemes to maintain operational effectiveness
- Category 5 : Match funding schemes

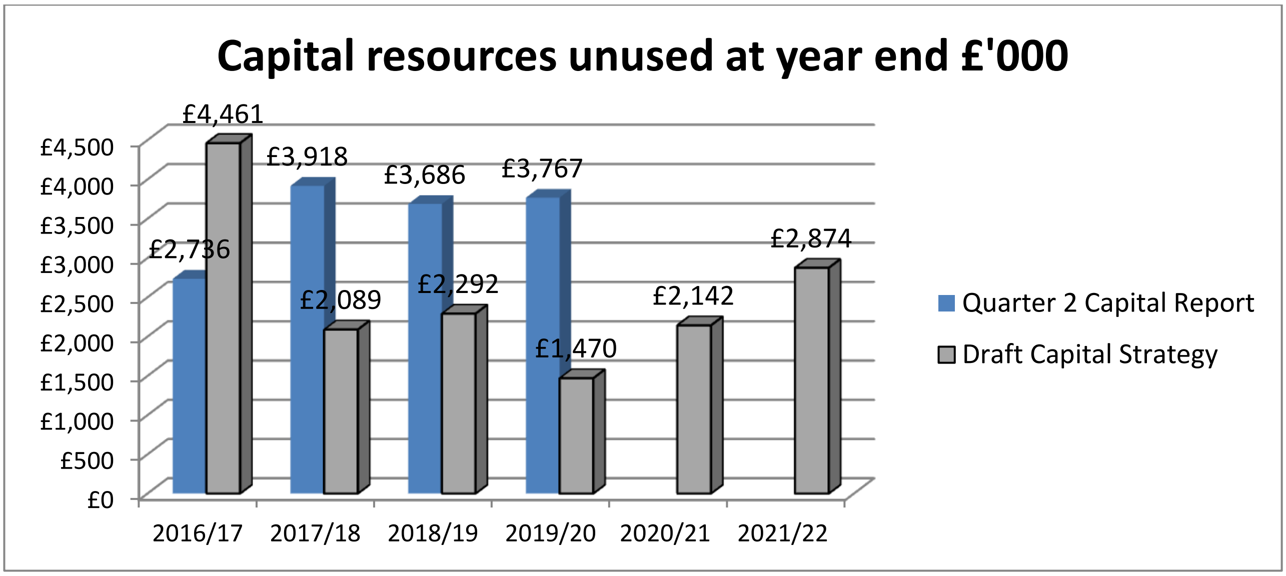
3.5 In terms of funding the bids, prudential borrowing will 'normally' only be used to support Category 2 schemes, with capital receipt, external grants and a new revenue reserve for capital being used to fund the other categories.

3.6 The Leader's Financial Security Group (LFSG) met in November and December to review all General Fund capital bids (2017/18 onwards) and made a number of recommendations and these are contained within this report and summarised in Appendix B and D.

3.7 The General Fund capital programme reported to the November Executive (2016/17 Second Quarter Capital Strategy Update) totalled a cumulative £24.825Million to 2019/20. The Draft Capital Strategy in this report has now been extended to the period 2021/22. The cumulative spend in the revised Strategy (to 2019/20) is now £28.008Million, an increase of £3.183Million to 2019/20 compared the current capital programme. The revised Strategy to 2021/22 now totals £32.5Million. The chart below summarises the two Strategies' spend.



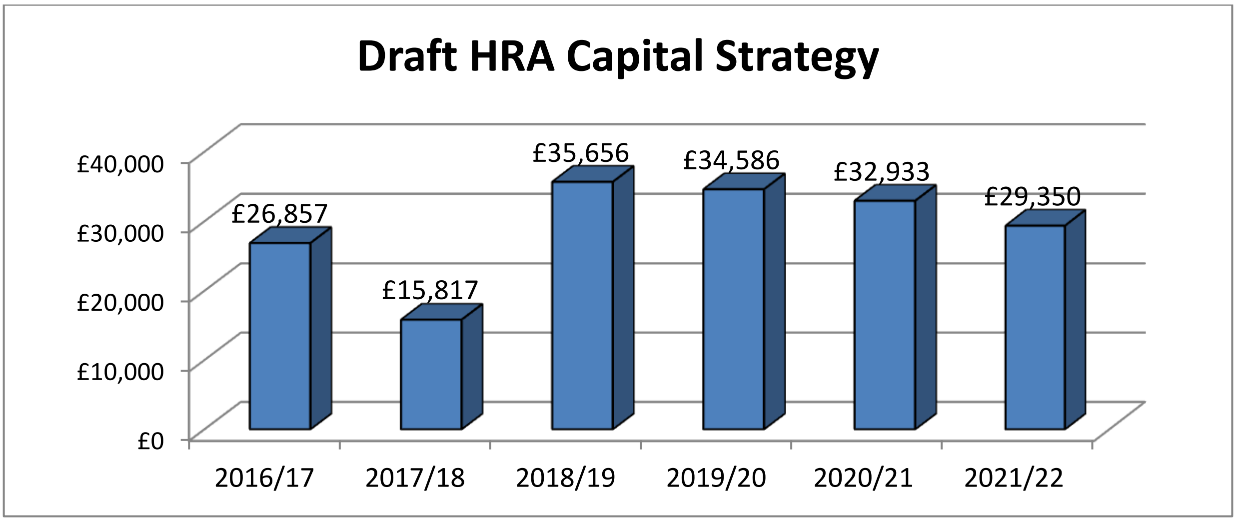
3.8 With the increase in capital spend (as outlined above) there has been a reduction in the level of resources unused at the end of each year and a rescheduling of when receipts are realised. Resources have decreased (up to 2019/20) with £1.4Million available at the end of 2019/20, compared to £3.767Million in the 2016/17 Quarter 2 update. The Draft Capital Strategy was extended up to the period 2021/22. Receipts unused at 31 March 2022 are estimated at £2.874Million. The following chart summarises the two strategies' resources unused at the end of each financial year.



3.9 **HRA** -The HRA capital programme was revised in November 2016 as part of the 30 Year Business Plan. The 30 year HRA capital programme totalled £1,150Million with an identified funding shortfall resourced through spend reductions and refinancing of borrowing (£75Million).

3.10 The Draft Capital Strategy to the January Executive included new capital bids which totalled £1,179,850, mainly relating to the FTFC priority 'connecting to our customers' and are included in Appendix D to this report. The Draft Capital Strategy also did not include the Higher Value Voids (HVV) levy for 2016/17 and 2017/18 which meant an additional £1,058,920 was available to fund new capital expenditure.

3.11 The Draft Capital Strategy expenditure is shown in the chart below. The expenditure in 2017/18 was lower than in future years as the works to flat blocks is scheduled to commence in the main from 2018/19 onwards.



4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Overview & Scrutiny Committee

4.1.1 The Committee was reminded that this was before them as a Budget and Policy Framework item and any comments made would be incorporated into the final report that the Executive would consider for recommendation to Council in February.

4.1.2 The Assistant Director (Finance and Estates) presented the report which detailed revisions to the 2016/2017 General Fund and Housing Revenue Account Programme, sought approval to the draft Capital Programme for 2017/2018 and updated Members on the Council's draft 5 year Capital Strategy.

4.1.3 The Committee was advised that all the General Fund capital growth bids had been considered challenged and prioritised by LSPG prior to their inclusion in the draft 2016/2017 onwards Capital Strategy.

4.1.4 The Committee referred to the Notice of Decision from the Executive and Members agreed with the view of the Executive that relevant Portfolio Holders, and where appropriate Ward Members, should be consulted on individual schemes at an early stage.

4.2 Capital Programme – 2016/17 General Fund

4.2.1 The 2016/17 programme is projected to be £8,223,400, this is £78,000 higher than at the January Executive. The variances are summarised in Appendix A and included in the table below.

Summary of General Fund Capital Programme changes	2016/17 £	Reason
Energy Efficiency budget	(17,000)	The saving projected from the initiatives is now estimated to be £11,500 lower in 2017/18 as some works to Daneshill house cannot be implemented and the capital budget has been reduced accordingly.
Site Assembly 29 Shephall Way	95,000	The cost of the third party has increased as a result of an increase in value. The site has also been deferred from the capital disposal list as a potential new occupant has been identified.
Total General Fund changes	**78,000**	**Increase in 2016/17 budget**

4.2.2 As reported and agreed at the January Executive, there were two 2017/18 capital bids for play equipment at Pin Green and St Nicholas play centres. The equipment has been closed down following a safety inspection carried out in July 2016. At St Nicholas four of the five large pieces are closed and at Pin

Green one of four large pieces of equipment is closed and one is partially closed. The service requested and LFSG recommended that the bid was included in the 2016/17 programme, to take into account lead times allowing the equipment to be ordered before Easter 2017.

4.2.3 As at 31 January 2017, 40% (£3,321,900) of the projected General Fund programme had been invoiced.

4.3 Capital Programme – 2017/18 General Fund

4.3.1 As reported at the January Executive, officers were asked to zero base the Capital Strategy and bid for all proposed works. The Senior Management Board (SMB) met and reviewed the bids and set some principles based on the value of the original bids (£27.935Million) and the affordability going forward of this level of capital expenditure. These were that:

1. Assets due for regeneration should have only essential works carried out.
2. Re-profile spend to later years if reviews of the service were due.
3. Include only the initial works to schemes until the business case were proven.
4. Include the Senior Officer recommended option for Play Area improvements (February Executive) on affordability basis.

Summary of deferred schemes	Reason	2017/18 £	2018/19 £	2019/20 £	Later years £	Total £
Council Offices	Assets due for regeneration	299,500	165,000	110,000		574,500
Swingate House	Assets due for regeneration	100,000	0	0		100,000
Town Centre carriage works	Assets due for regeneration	41,000				41,000
Works to bus shelters	Assets due for regeneration	22,000				22,000
Works to Town Centre assets	Defer until business case proven	0	1,303,000	600,000		1,903,000
Scheme to upgrade Town centre toilets	Defer regeneration scheme proposed	221,000	0	0		221,000
Energy Audit works	Defer until phase one results known	63,000	0	0		63,000
Reprofile non-essential Community Centre spend	Put in later years until review of Community Centres	80,000	(40,000)	(40,000)		0
Play Area improvement works	Put in programme based on affordability and recommended option (report to the February Executive)	(142,100)	2,700	(238,950)	(189,020)	(567,370)
Total General Fund changes		**684,400**	**1,430,700**	**431,050**	**(189,020)**	**2,357,130**

4.3.2 The revised bids were then considered by the Leader's Financial Security Group and a summary of the bids considered is shown in the table below (unchanged from the January Executive), which shows that 59% of the capital bids put forward are FTFC related, with a further 38% being required for operational efficiency. All General Fund bids are detailed in Appendix B.

Bids £'000	2016/17-2017/18	2018/19	2019/20	2020/21	2021/22	Total	%
FTFC:							
Co-operative Neighbourhood Mgmt.	£597.8	£348.7	£320.0	£324.0	£374.5	£1,965.0	8.0%
Co-operative Neighbourhood - garages	£1,032.9	£2,593.4	£2,815.7	£2,105.2	£375.0	£8,922.2	36.3%
Connecting to our Customers	£712.0	£142.0	£100.0	£0.0	£0.0	£954.0	3.9%
Regeneration	£527.0	£500.0	£500.0	£500.0	£0.0	£2,027.0	8.3%
Financial security	£418.5	£250.0	£0.0	£0.0	£0.0	£668.5	2.7%
Total FTFC	**£3,288.2**	**£3,834.1**	**£3,735.7**	**£2,929.2**	**£749.5**	**£14,536.7**	**59.2%**
Operational:							
Mandatory (3)	£350.0	£350.0	£350.0	£350.0	£350.0	£1,750.0	7.1%
Operational efficiency (4)	£3,437.0	£2,560.8	£1,488.3	£115.5	£51.5	£7,653.0	31.2%
Total Operational	**£3,787.0**	**£2,910.8**	**£1,838.3**	**£465.5**	**£401.5**	**£9,403.0**	**38.3%**
Match funded (5)	£625.0	£0.0	£0.0	£0.0	£0.0	£625.0	2.5%
Total Match funded	**£625.0**	**£0.0**	**£0.0**	**£0.0**	**£0.0**	**£625.0**	**2.5%**
Total	**£7,700.2**	**£6,744.8**	**£5,574.0**	**£3,394.7**	**£1,151.0**	**£24,564.7**	**100.0%**

4.3.3 The Leader's Financial Security Group (LFSG) scored the bids on a 0 to 3 scale, with a score of 0 being the lowest and not recommended. An average score was then given to each bid (Appendix B), all bids scoring 2 or above have been recommended for approval by LSFG. Some bids scoring less than 2 but supported by the Senior Management Board (SMB) are also recommended for approval. A summary of the bid classifications is shown in the chart below.

Bids £'000	2016/17-2017/18	2018/19	2019/20	2020/21	2021/22	Total	%
Recommended for Approval (score 2+)	£6,912.0	£6,333.8	£5,504.0	£3,394.7	£1,151.0	£23,295.5	94.8%
Recommended for Approval by SMB	£412.7	£156.0	£70.0	£0.0	£0.0	£638.7	2.6%
Not Recommended	£375.5	£255.0	£0.0	£0.0	£0.0	£630.5	2.6%
	£7,700.2	**£6,744.8**	**£5,574.0**	**£3,394.7**	**£1,151.0**	**£24,564.7**	**100.0%**

4.3.4 The following bids were not recommended by LFSG (totalling £630,000) and neither the Executive nor the Overview and Scrutiny recommended any changes to the schemes which were:

- **Above Ground or Walled Burials (mausoleum) (C30)**- LSFG requested to see the business case before making any allocation in the programme.

The business case was considered in January and the demographics did not make the bid viable and the option has not been included in the capital programme.

- **Daneshill Courtyard Barrier (C67)-** LSFG recommended alternative solution of signage and enforcement signs due to the cost of putting in a barrier.
- **Oval car park (C85)-** the car park was not well used and the site may be considered for redevelopment in the future (£45,000).
- **Desks and chairs (C51)** – LFSG perceived that there was a store of furniture which also includes surplus furniture from recent refurbishments (£13,000).
- **Site disposal costs (C59)** - LFSG thought the cost to the site was significant in relation to the projected receipt and asked that the Head of Property and Estates look at alternative solutions for the site (£306,000).

4.3.5 In the Draft Strategy to the January Executive a 2017/18 deferral budget of £500,000 to fund any works which become urgent and need to be carried out was included in the programme and this remains in the Capital Strategy. The Asset and Capital officer group (chaired by the Strategic Director (Environment)) will recommend the use of this fund to Members and will be included as part of the capital quarterly reports presented to Members.

4.3.6 Included in the Draft Capital Strategy 2017/18 onwards was significant investment in the FTFC priority 'Connected to our Customers', this spend relates to both the General Fund and the HRA and is seen as essential in improving digital services to customers. The total cost is £2.114Million (£954K General Fund and £1.16Million for the HRA) and will enable customers to access a wide range of high quality digital services that are simple and convenient to use.

4.3.7 The Council is already responding to the digital challenge through the introduction of new technologies. However, to fully realise the benefits that digital technology can bring the council needs to dramatically increase the scope of its digital transformation programme and increase the pace of delivery. The required resources will enable officers to implement a number of technologies that will provide customers with a personalised and integrated set of online services. Information will also be tailored around an individual's specific needs and requirements. Much of this will be delivered through a unified customer platform to provide a consistent and highly functional service to customers.

4.3.8 Over half of the contacts made to the Customer Service Centre currently relate to housing services, and tenants are proportionally more likely to use our non-housing services than non-tenants. That is why the Council's housing services will be prioritised for digital investment over the next three financial years. Enabling customers to self-serve online will free up resource and enable services to focus their support to customers who have more complex needs. The technology will help create a digital workforce that is agile, mobile and one that uses technology to improve service quality and enhance the customer experience. It will also make better use of data for evidence lead decision making.

4.3.9 To meet the digital ambitions of both Stevenage and East Herts both local authorities need to invest in a strong IT infrastructure to support it, with the right performance, reliability and resilience for the next five years. Without the investment, the Council will have limited capacity for new online services and risk operating slow and unreliable technology for both our customers and staff. A comprehensive refresh of both the server and VDI environments are therefore needed. The cost of doing this will be shared 50/50 with East Herts Council.

4.3.10 The digital spend outlined above is significant to both funds at a time of limited resources but deemed as essential by officers and will be based on a number of business cases (excluding the infrastructure total costs of £450K) which should lead to resourcing efficiencies which will contribute to both the Financial Security targets of the General Fund and the HRA. Assumed efficiencies from the business cases will be tracked by both the officer and Member Financial Security groups. The programme is summarised in the following graphic.

Digital Stevenage

Connecting with our Customers

Digital Customer Service

"Enabling customers to access services and information online." This means providing information and services online to customers in a user friendly way.

Online Services and Customer Account

- Get a balance or a statement
- Update contact and other personal details
- Book an appointment for a housing repair
- Buy or renew a car park season ticket
- Request a new recycling bin
- Complete an application for council housing

Digital Workforce

"Staff will have the digital tools and skills to deliver services effectively and efficiently." This means delivering positive customer outcomes by providing staff access to the data they need and the best available technology, ensuring they have the skills to use it efficiently.

Technology and skills

- Increase mobility through use of portable devices to access and update information
- Enhance access to information with Document Management
- Improve business process through adoption of workflow systems
- Create new business insights through better use of data and analytics

Building sustainable foundations

"Our online services are trusted and protect the identities of the customers using them." This means having IT systems that are reliable and secure for our customers and staff

Infrastructure and Security

- Improve capacity, performance and resilience of council's shared data centre
- Threat and vulnerability mitigation
- Increase staff awareness
- Improve information governance

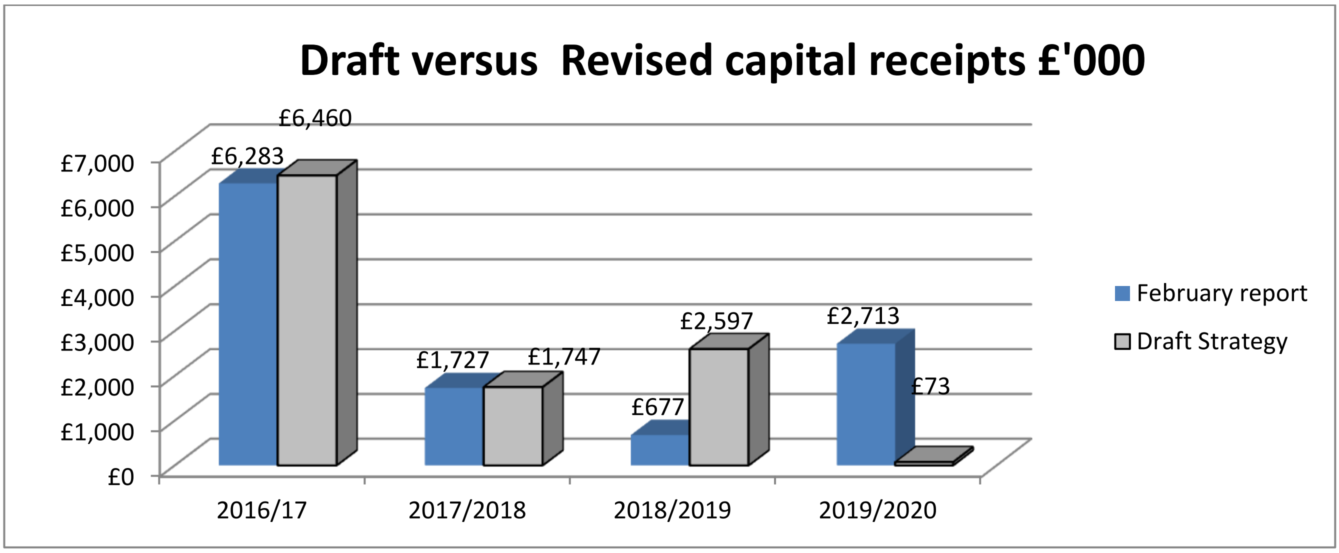
4.4 Capital Programme – General Fund Resources

4.4.1 There are two main sources of funding for the General Fund capital programme these are the capital reserve and capital receipts.

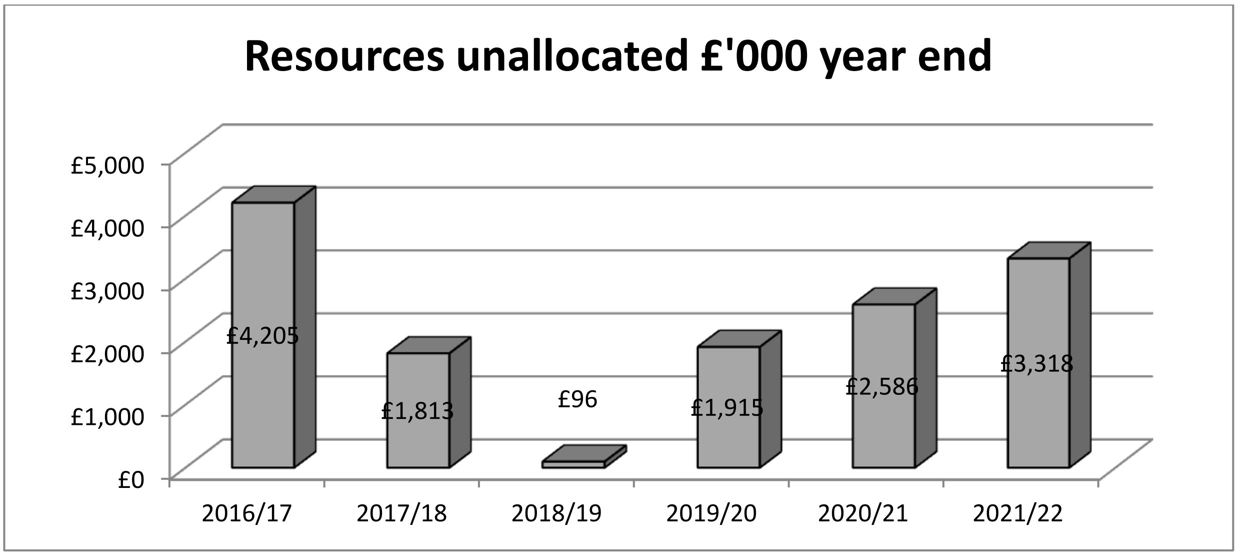
4.4.2 The Capital Reserve is funded from a number of sources including New Homes Bonus (£250,000), General Fund contributions (£515,000) and Right to Buy Receipts (£360,000). In addition Members have approved the transfer of up to £350,000 of underspends in any one year from the General Fund, however the latter cannot be guaranteed.

4.4.3 Included within the projected 2016/17 resources for the capital reserve is £95,090 relating to the cost of borrowing for loans not yet taken. At the January Executive it was recommended that this budget is transferred to the Capital Reserve as there are no plans to take external borrowing in 2016/17.

4.4.4 Capital receipts are generated from the sale of assets (mainly land) agreed by Members for disposal. The chart below shows that while the overall value of receipts has increased by £522,400, some receipts previously for 2018/19 are now projected to be realised in 2019/20 for strategic site assembly reasons.



4.4.5 The impact of these changes means that the unused resources for 2018/19 are a total of £96,094 and rely on underspends of £350K per year to have been realised and transferred to the Capital Reserve for 2016/17-2018/19 a total of just over £1Million. The Assistant Director (Finance and Estates) considers that there is a risk of borrowing being required, unless the receipts planned for 2019/20 can be brought forward to 2018/19 or additional receipts are identified. This will be compounded by further bids being identified in future years. A summary of the unallocated resources at year end are shown in the table below.



4.4.6 There are also no significant receipts identified after 2019/20 in the Capital Strategy and a review of potential land and building disposals will be carried out as part of the Asset Management Strategy review. It is recommended that before any commitments are made against the 2018/19 capital programme a review of the funding must take place. This will be carried out during 2017/18.

4.4.7 In addition to the resources identified above, New Homes Bonus monies of £430,000 has been ring fenced to support the Neighbourhood improvement programme (‘Future Town Future Council’ priority). In the main this enables funding of the playground improvement programme (£372,500 in 2017/18, subject to approval of the Play Strategy in February 2017).

4.4.8 The proposed Capital Strategy is funded but as outlined above, there are significant risks and in addition:

1. Deferred or not recommended schemes which may need to be funded.
2. There is no guarantee that anticipated capital receipts will be realised.
3. The Council may need/want to use its own resources to meet its regeneration ambitions.
4. The Capital Strategy will identify more bids for future years.
5. The level of future projected unused resources is considered very low in 2018/19.

4.4.9 The Council has the ability to prudentially borrow to fund the capital programme however this is not currently built into the General Fund MTFS except for the Garage Strategy investment approved in 2016. The General Fund MTFS identifies a Financial Security target of £1Million for the period up to 2019/20 and borrowing will only normally be considered for income generating assets or a return on investment. Furthermore investment in neighbourhoods could lead to higher revenue costs in terms of maintenance which will be need to be included in future updates of the MTFS. The capital bid for play areas has identified a revenue implication of £36,790 which has been included in the 2017/18 General Fund budget to the February Executive.

4.4.10 It is the Chief Financial Officer's view that the capital reserve needs to build up balances to take account of unexpected capital items and a fluctuating capital programme. There will be further future growth bids for which, there will not be sufficient resources to fund them.

4.4.11 Since 2011/12 the Council has required £13,542,260 of borrowing to fund its capital programme with a further £370,130 approved for garages in 2017/18. The Treasury Team have only taken loans of £4,000,000 and the General Fund will have already set aside £3,265,580 of Minimum Revenue Payment (MRP) to meet the borrowing cost by 31 March 2018.

Financial Year	General £	Regeneration Initiatives £	Total £	MRP repaid £	MRP remaining £
2011/12	1,803,028		1,803,028	606,643	1,196,385
2012/13	1,560,314	7,039,448	8,599,762	2,166,093	6,433,669
2013/14	1,802,457	28,317	1,830,774	313,990	1,516,784
2014/15	0	1,308,696	1,308,696	178,853	1,129,843
2017/18	370,130	0	370,130	0	370,130
Total	**5,535,929**	**8,376,461**	**13,912,390**	**3,265,580**	**10,276,680**

4.4.12 There are a number of initiatives officers are working on which meet the Council's FTFS priorities which will/may require borrowing. The Assistant Director (Finance and Estates) will be developing an overarching Investment Strategy for such schemes to ensure that the council is not exposed to undue risk from increased levels of borrowing. The Property Investment Strategy to this Executive recommends borrowing of £15Million which is currently not included in the Capital Strategy.

4.4.13 If capital receipts assumed in the Capital Strategy do not materialise or for a lesser amount, the programme will need to be reviewed to defer further expenditure or assess the cost of borrowing versus the impact of deferring the works.

4.5 Capital Programme – 2016/17 Housing Revenue Account

4.5.1 The 2016/17 programme was projected as £26,857,030 at the January Executive and remains unchanged from that report, (see also Appendix C).

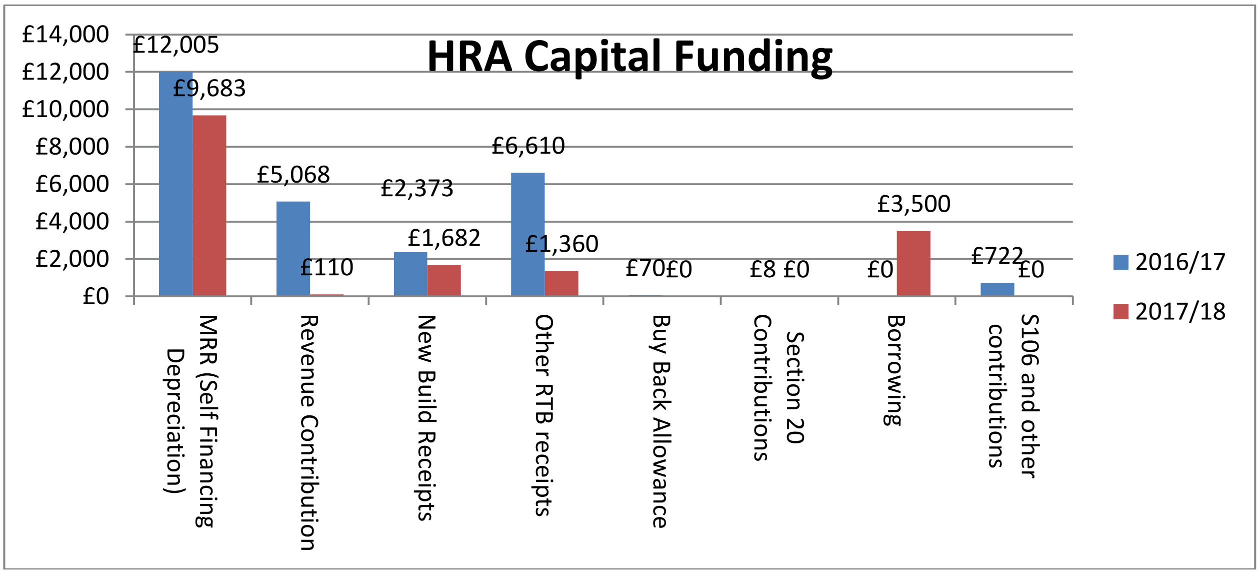
4.5.2 As at 31 January 2017, 56% (£14,974,276) of the working HRA programme had been invoiced. Further works will have been completed but not yet invoiced.

4.6 Capital Programme – 2017/18 HRA

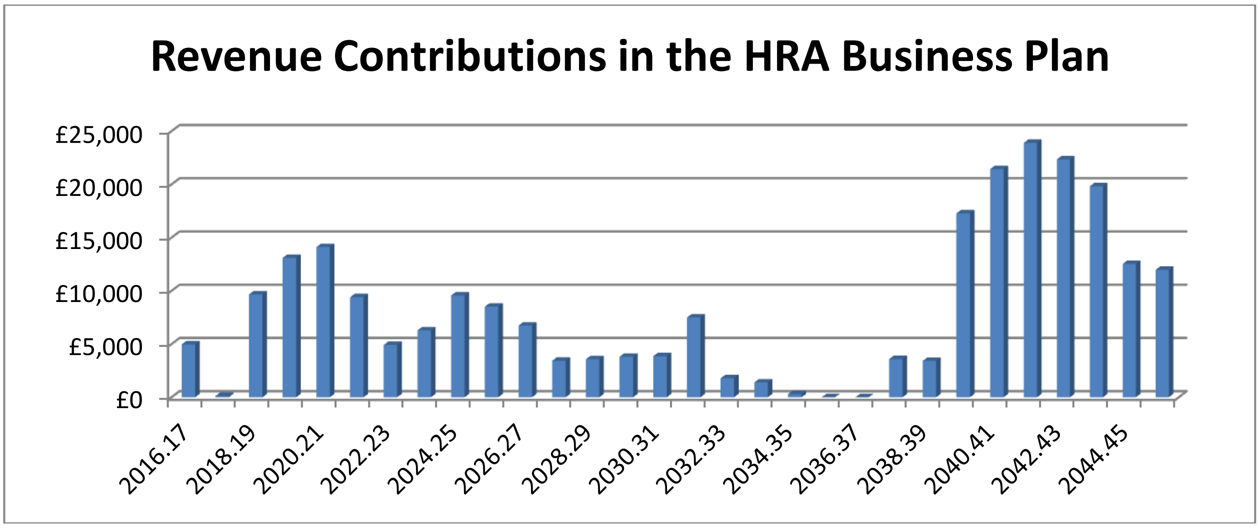
4.6.1 The HRA's 2016/17 and 2017/18 programme were approved at the November Executive as part of the HRA Business Plan. The January report removed the higher voids value levy for 2016/17 and 2017/18 and added the capital bids which remain unchanged from the January report and are included in Appendix D. The HRA programme is detailed in Appendix C.

4.7 Capital Programme HRA Resources

4.7.1 The revised Business Plan assumes the following funding for the 2016/17 and 2017/18 capital programmes in total, as shown in the following chart and remain unchanged from the January Executive.

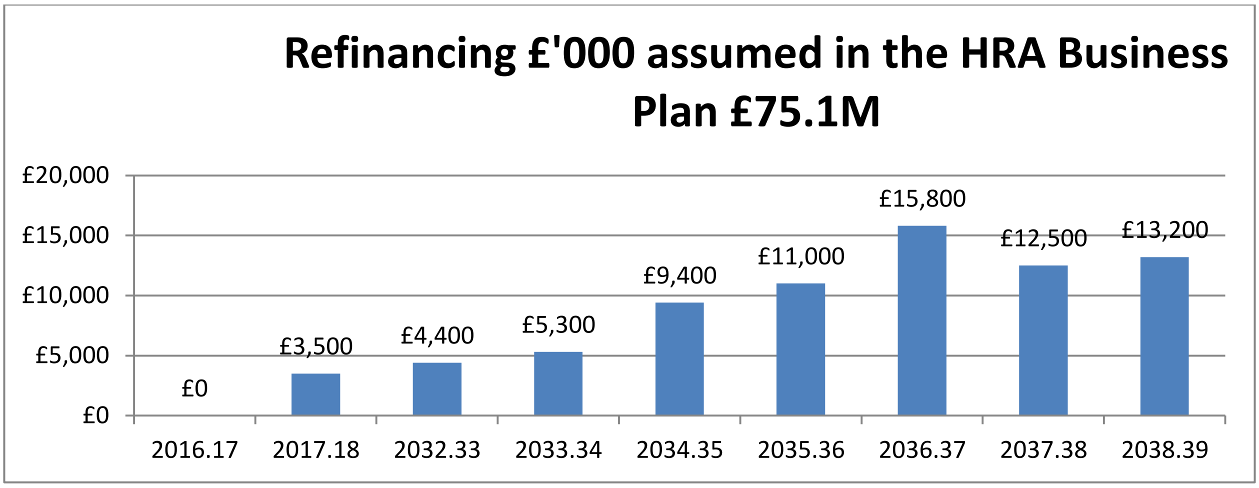


4.7.2 The majority of funding for the HRA programme comes effectively from the rental income in the form of depreciation charged to the HRA and revenue contributions. The Major Repairs Reserve (MRR) balances have all been used by 31 March 2019 and the capital programme relies on higher revenue contributions between 2018/19-2021/22 as shown in the chart below.

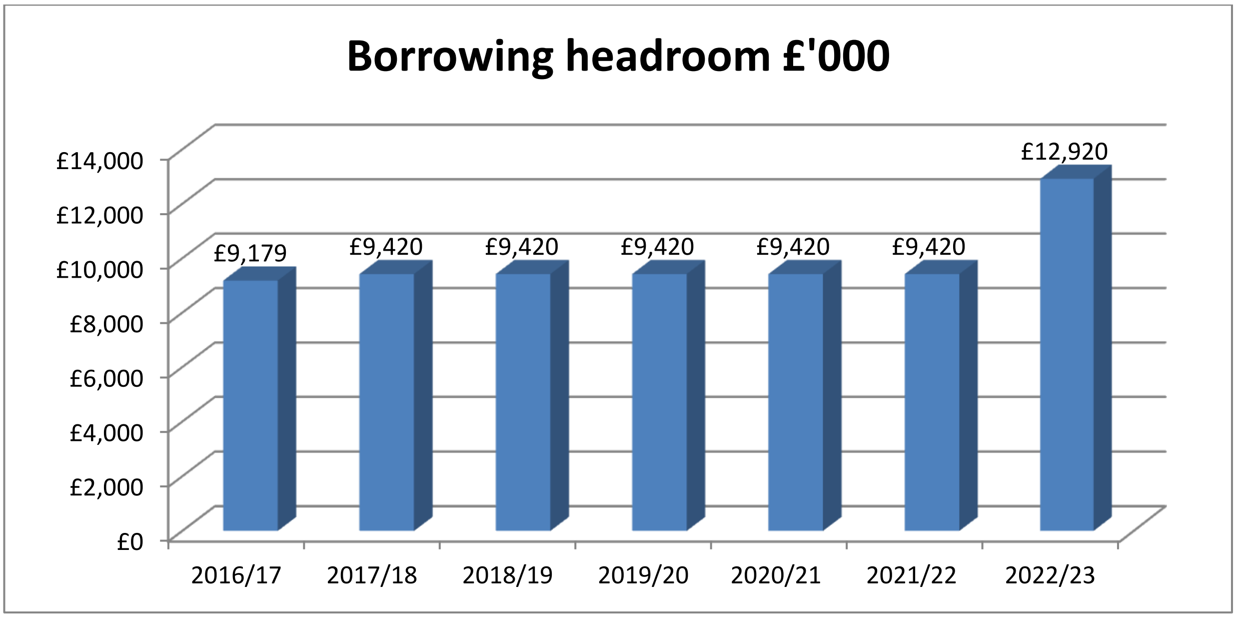


4.7.3 The number of right to buy (RTB) sales to 10 January was 49 and at the January Executive the 2016/17 projection of 50 sales was revised to be 61 for the year. This will be reviewed again as part of the 3rd quarter monitoring report together with the impact on rental income and RTB receipts. The projection for 2017/18 currently remains unchanged at 50 for the year.

4.7.4 The November 2016 revised HRA business plan required additional borrowing of £75Million over the 30 years to ensure the programme was funded. There is an assumption that £3.5Million will be refinanced in 2017/18. The following chart shows the profile of the refinancing.

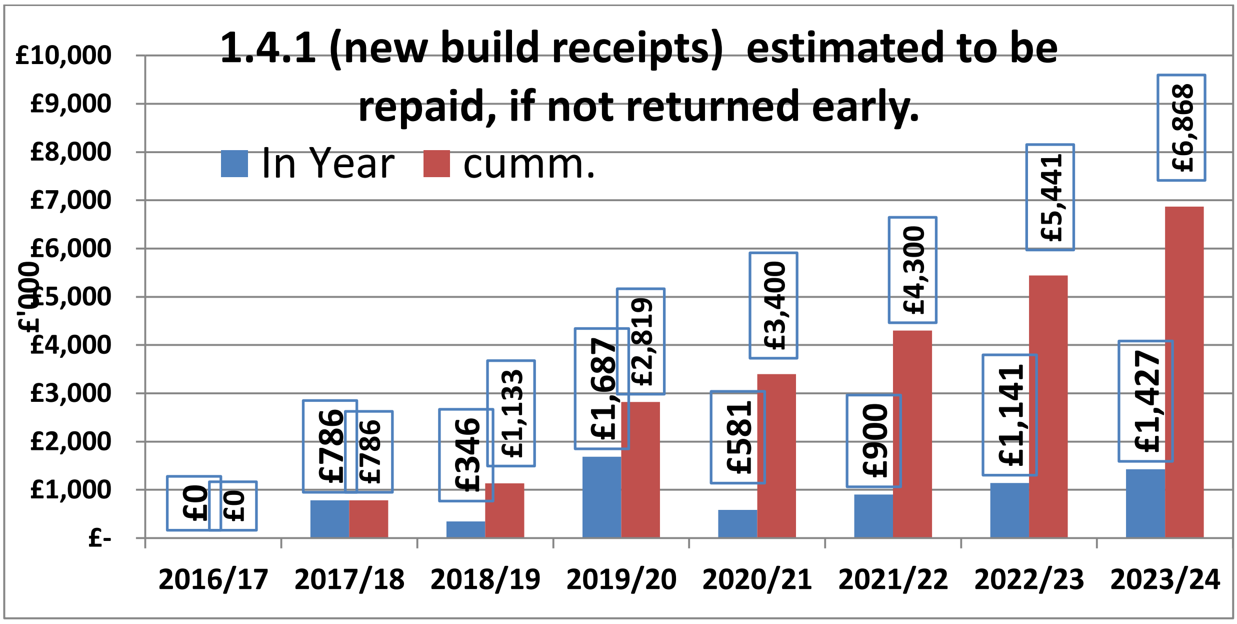


4.7.5 The amount of borrowing for the HRA capital programme will be reviewed annually based on the level of risk facing the HRA and affordability. The amount of borrowing headroom in the HRA over the next 10 years is summarised in the table below.



4.7.6 The headroom is also required to allow the transfer of General Fund land sites into the HRA. To date property and land totalling £1.24Million has been transferred to the HRA, reducing the borrowing head room available to date.

4.7.7 The estimate of RTB 1.4.1 receipts not used within the three year deadline is summarised below. The receipts due for return in 2017/18-2018/19 are projected to be spent with a Registered Housing Providers in return for nomination rights. The level of returnable receipts is dependent not only on the number of sales but also on the valuation of the properties.



4.7.8 The estimated receipts not used in 2019/20 has increased to £1.687Million based on the increasing sale values leading to more 1.4.1 receipts per property. The receipts to be handed back in 2019/20 relate to 2016/17 and there are projected 4th quarter receipts of £1.099Million. The risk of not returning further receipts will be reviewed by the year end to determine whether further receipts should be returned.

4.8 De Minimis Level for Capital Expenditure 2017/18

4.8.1 Accounting best practice recommends that the Council approves a de minimis level for capital expenditure, or a value below which the expenditure would not be treated as capital. This would mean that the expenditure would not be recorded on the asset register nor be funded from capital resources.

4.8.2 The limit set for 2017/18 remains unchanged at £5,000, this applies to a scheme value rather than an individual transaction. This will be reviewed during 2017/18 in readiness for early closure of the accounts and recording capital expenditure.

4.9 Contingency Allowance for 2017/18

4.9.1 The contingency allowance for 2016/17 is £250,000 reflecting the resourcing pressures facing the capital programme. The contingency proposed for 2017/18 remains at £250,000, for schemes funded from existing capital resources. This limit applies individually to both the General Fund and the HRA. This contingency sum constitutes an upper limit on both funds within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year.

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 and as shown below.

5.5.2 There are risks around achieving the level of disposals budgeted for. The level of resources available at the end of 2018/19 is only £96,094 and should any of the capital receipts be delayed or the value reduced, the capital programme would have to be reduced/delayed or borrowing taken. The Council manages this risk by reviewing and updating the Strategy quarterly, including resources. This will enable action to be taken where a receipt looks doubtful.

5.5.3 The General Fund programme is funded from an assumption that £350,000 of underspends will be available to fund the programme each year. If they do not materialise there would be a shortfall of £1.750Million over a five year period, which would necessitate a reduction in the programme or borrowing. To fund the 2018/19 programme a total of £1,050,000 of General Fund underspends is required to be realised, from 2016/17, 2017/18 and 2018/19.

5.5.4 There are a number of deferrals in the capital programme as outlined in 4.3.1 and schemes not approved in Appendix B. An amount of £500,000 has been added to the General Fund programme to address any additional unavoidable capital spend, however there is a risk that this may not be sufficient.

5.5.5 There are potential contractual risks around tendering contracts in the current market conditions which indicate increased costs of materials and trades as a result of higher inflationary pressures.

5.5.6 There is considerable uncertainty about the future of Higher Value Voids levy and the impact of this from 2018/19 onwards. This compounded by unforeseen HRA capital spend and increase prices could mean the HRA capital programme needs to be reduced further or/and the need for further borrowing reviewed.

5.5.7 There is a risk that further RTB 1.4.1 receipts will need to be returned if the number and value of RTB's increases. There is a risk that if the 2016/17 projections are realised that there will be a need to return receipts for that year to avoid paying interest in the future.

BACKGROUND DOCUMENTS

- BD1 - Capital strategy Update November 2016 (Executive) http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20161122-Item10.pdf
- BD2- HRA Business Plan November 2016 (Executive) http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20161122-Item7.pdf
- BD3- Draft Capital strategy January 2017 (Executive) http://www.stevenage.gov.uk/content/committees/160923/160931/160995/20170124-Item7.pdf

APPENDICES

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