

Meeting: EXECUTIVE

Portfolio Area: Resources

Agenda Item:

9

Date: 14 March 2017



2016/17 THIRD QUARTER CAPITAL STRATEGY UPDATE KEY DECISION

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1. PURPOSE

- 1.1 To provide Members with an update on the Council's 2016/17 and 2017/18 capital programme.
- 1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account capital programme.

2. RECOMMENDATIONS

- 2.1 That the 2016/17 General Fund capital programme net decrease in expenditure of £1,265,670 (including re-profiling of spend to 2017/18 of £890,140) be approved, as summarised in paragraphs 4.1.1 – 4.1.2.
- 2.2 That the 2016/17 Housing Revenue Account capital programme net decrease in expenditure of £5,014,680 (including re-profiling of spend to 2017/18 of £4,999,680) be approved, as summarised in paragraph 4.2.6.
- 2.3 That the 2017/18 General Fund capital programme increase in expenditure of £1,052,140, be approved, as summarised in paragraph 4.3.1.
- 2.4 That the 2017/18 Housing Revenue Account capital programme increase in expenditure of £4,999,680 be approved, as summarised in paragraph 4.2.6.

3. BACKGROUND

3.1.1 The 2016/17 capital programme was last approved by Council on the 28 February 2017:

- General Fund £8,223,400
- HRA £26,857,030

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2016/17 GENERAL FUND CAPITAL PROGRAMME

4.1.1 The latest projected expenditure for the 2016/17 General Fund capital programme is £6,957,730. A decrease of £1,265,670 in total due to:

- Slippage of £890,140 to 2017/18 (reducing spend in 2016/17)
- Decreases to 2016/17 budgets of £387,780
- Increases to 2016/17 budgets of £12,250

4.1.2 The changes in the working budget are detailed in the following table and additional commentary on notable changes below:

Changes to General Fund Capital Budget				
GF Capital Programme Change to 2016/17 Working Budget & 2017/18 Projected Budget	Increase (Decrease) to 2016/17 Working Budget	Increase (Decrease) to 2017/18 Budget	Increase (Decrease) to 2018/19 Budget	Reason
	£	£	£	
Slippage				
Hardstandings	(38,990)	38,990		The General Fund scheme has slipped to match fund the HRA budget for Skipton Close. These works will now be carried out in 2017/18.
Parking Restrictions	(13,740)	13,740		An element of this budget relates to works at Broadwater which have been delayed. The works are still required and this funding will be spent with growth bids in 2017/18.
Symonds Green Community Centre Extension	(95,000)	95,000		Works have commenced on site but part of the budget has been profiled to meet contractor's work programme.
Fairlands Valley Park Campshill Bridge	(38,000)	38,000		Works are now planned to be completed in April 2017.
Fairlands Valley Park Balancing Pond - Dredging	(30,000)	30,000		The project will be completed Autumn 2017, as works cannot be carried out during spring or summer.
Garage Surveyor Asbestos	(16,700)	16,700		Recruitment to this post was not successful. The post has been

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	£	£	£	
				readvertised. Although the full asbestos survey of the garage stock has been delayed the existing team have dealt with any asbestos remedial works.
Daneshill, Cavendish & Swingate - Replacement of Building Management System	(31,020)	31,020		Officers have prioritised the main reception refurbishment. These works are now complete.
Daneshill House Enhancement Works - Atrium & First Floor	(37,000)	37,000		
Daneshill House Enhancement Works - 5th Floor	(127,950)	127,950		
Daneshill House Lift Door Control Upgrade Works	(10,000)	10,000		These works are to be completed by the new lift contractor which is in the process of being tendered.
Garages	(113,000)	113,000		Recruitment to post required for the garage business plan has been unsuccessful and is currently being re-advertised. Consequently works have been delayed
Replacement of Vehicles	(261,000)	261,000		There have been delays in ordering vehicles and these will now be purchased in 2017/18.
Replacement Refuse Freighter		160,000	(160,000)	The purchase of this refuse vehicle was included as a capital bid in 2018/19 but is required in 2017/18.
Multi-Storey Car Park	(77,740)	77,740		The works to the multi-storey car park have been delayed due to recruitment difficulties. The works cannot be carried out during the cold weather conditions and have been reprogrammed. The works will now be tendered in April 2017 for commencement on site in summer 2017.
Total Slippage to 2017/18	(890,140)	1,050,140	(160,000)	
Virements Between Projects				
Play Centres	2,390			Virement to fund small overspend on Bandle Hill play centre.
Depots	(2,390)			
Scarab Major	(980)			Virement to fund small overspends on other vehicle purchases
Compactor	960			
Plant replacement for Chipper (Schliesing 480EX)	20			
Total Virements Between Projects	0	0	0	
Decreases to 2016/17 Budget				
Golf Centre	(12,000)			To be given up as a saving, works to the Golf Centre boiler and heating to be funded by Stevenage Leisure Limited.

Changes to General Fund Capital Budget				
GF Capital Programme Change to 2016/17 Working Budget & 2017/18 Projected Budget	Increase (Decrease) to 2016/17 Working Budget	Increase (Decrease) to 2017/18 Budget	Increase (Decrease) to 2018/19 Budget	Reason
	£	£	£	
Firework Machine	(200)			Small underspend.
Meter Installations	(20,000)			This budget is no longer required. Since the budget was approved the regulations now published and do not affect the Council.
Community Centres	(111,010)			To be given up as a saving as there are no further works planned this financial year and the 2017/18 budget is sufficient (see paragraph 4.1.4)
Cemetery Buildings	(10,480)	(3,000)		The 2016/17 budget is to be given up as a saving as there are no further works planned. 2017/18 works of £3,000 have been completed within the existing 2016/17 budget allocation.
Council Offices	(157,000)			Based on the Council's regeneration programme the scope of works has been reduced.
Surface Car Parks	(56,250)			Budget not required in 2016/17 and growth bid approved at February Council for 2017/18.
Plant replacement for Rotorvator (Dowdswell 70)	(12,000)			This equipment has been funded within the 2017/18 budget allocation.
Scarab Major	(8,840)			Reflecting actual purchase price.
Total Decreases to 2016/17 Budget	(387,780)	(3,000)		
Increases to 2016/17 Budget				
Kanga Multi Loader	12,250			Funded from revenue (see paragraph 4.1.3)
Plant replacement for Shredder		5,000		Reflecting expected purchase price.
Total Increases to 2016/17 Budget	12,250	5,000		
Total Change in Working Budget and Projected Budgets	(1,265,670)	1,052,140	(160,000)	

4.1.3 An increase of £12,250 is requested to purchase a Kanga Multi Loader in 2016/17. The purchase of the Kanga is more cost efficient than hiring and will be funded from revenue contributions of £12,250.

4.1.4 Community Centres bid originally submitted for 2016/17 was based on a historic building condition survey. There has recently been a review and prioritisation of the work programme which identified a reduction in the 2016/17 budget. It is anticipated that there is sufficient budget allocated to cover the prioritised essential works programme in 2017/18.

4.1.5 As at 31 January 2017 the total actual spend on the General Fund capital schemes was £3,321,900 which represents 48% of the projected outturn. However, this is based on invoiced works and does not include works completed but not yet invoiced. Officers have reviewed their budgets and requested slippage where they have identified works which have been delayed and have given budgets up as savings where schemes are no longer required.

4.2 2016/17 HRA CAPITAL PROGRAMME

4.2.1 The Housing Revenue Account capital programme is now projected to be £21,842,350, which is £5,014,680 less than the approved 2016/17 working budget. This is mainly due to re-profiling of planned investment including decent homes and asset review works. The majority of these works are now projected to be spent in the first quarter of 2017/18. Officers are looking to accelerating the programme where possible to mitigate the re-profiling to 2017/18.

4.2.2 Capital expenditure for the Housing Revenue Account at the end of January 2017 was £15,163,350 representing 69% of the revised projected outturn. In addition there is likely to accruals in the region of £1.5Million for works completed at year end but not invoiced.

4.2.3 While works for the Decent Homes projects were procured in the timeframe a subsequent challenge and mobilisations issues resulted in a delay to the delivery of these works. The challenge was successfully defended; however, this did lead to a significant delay in mobilising the contract. Once mobilised specialist investigative surveys were required. As a result of the investigation works and value engineering more cost effective solutions have been found to technical problems relating to cavity walls and brick piers that may have led to condensation and damp. While officers had hoped that the works schedule could be caught up in January it has become clear this is not possible. This has resulted in a re-profiling of external and internal planned works to 2017/18. The roofing programme has not been affected and has been delivered as per the original timetable.

4.2.4 The asset review and associated schemes totalling £1.094Million, is requested to be carry-forward to 2017/18. A reduction of £400k was as part of the HRA business plan revision and the remainder of the programme was put on hold during the HRA Business Plan revision. The further re-profiling of £1.094Million should have been incorporated into the HRA capital strategy that was reported to Members in January and February.

4.2.5 Despite the delays in the mobilisation of external and internal works (para 4.2.3) the number of properties made decent by the end of the 3rd quarter was 368, the Council is still on track to achieve its annual target of 610 properties made decent in the year. This is largely due to the roofing works which have had a positive impact on decency rates.

4.2.6 Changes to the 2016/17 and 2017/18 HRA capital budgets are shown in the following table re-profiled works relates to the contract for external decent homes

Changes to HRA Capital Budget			
HRA Capital Programme Change to 2016/17 Working Budget	Increase (Decrease) to 2016/17 Working Budget	Increase (Decrease) to 2017/18 Working Budget	Reason
	£	£	
Slippage			
Decent Homes - Internal Works	(624,930)	624,930	Slippage requested (see paragraph 4.2.3)
Decent Homes External Works	(3,059,500)	3,059,500	Slippage requested (see paragraph 4.2.3)
Lift Installation - Inspection & Remedial Works	(28,210)	28,210	Slippage requested based on current profile of works
Fire Safety	(38,350)	38,350	Slippage requested based on current profile of works
Scooter Storage	(29,810)	29,810	Slippage requested based on current profile of works per the asset review
Asset Review - Challenging Assets	(549,180)	549,180	Slippage requested (see paragraph 4.2.4)
Asset Review - Sheltered (non RED)	(545,230)	545,230	Slippage requested (see paragraph 4.2.4)
Disabled Adaptations	(77,720)	77,720	Slippage requested based on current profile of works
On-Line Housing Application Form	(46,750)	46,750	Slippage requested as ICT resources are not available for this project due to being allocated to other priorities
Total Budgets reprofiled to 2017/18	(4,999,680)	4,999,680	
Pay to Stay	(15,000)		To be given up as a saving as ICT scheme is no longer required
Total Decreases to 2016/17 Budget	(15,000)		
Total Change in Working Budget and Projected Budgets	(5,014,680)	4,999,680	

4.3 CAPITAL PROGRAMME 2017/18 ONWARDS

GENERAL FUND CAPITAL PROGRAMME

4.3.1 The General Fund capital programme of £7,528,980 for 2017/18 was approved by Council on 28 February 2017. The changes proposed to the programme are detailed in the table at paragraph 4.1.2 have increased the working budget by £1,052,140 to £8,581,120 due to:

- £890,140 slippage of schemes due to be completed in 2016/17
- £160,000 brought forward from 2018/19
- £3,000 decreases to 2017/18 budgets
- £5,000 increases to 2017/18 budgets

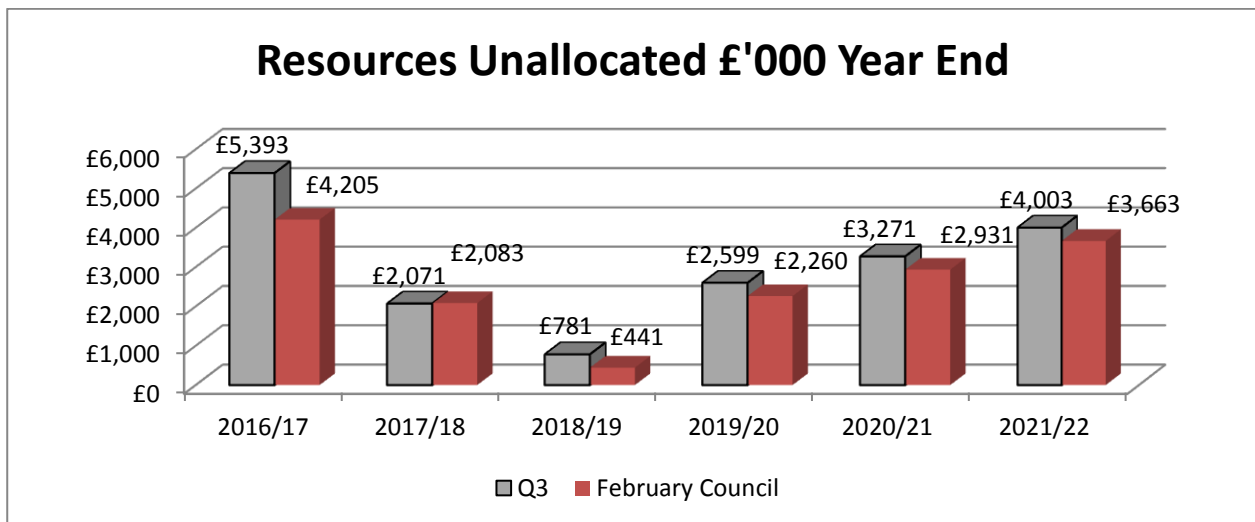
HRA CAPITAL PROGRAMME 2017/18 ONWARDS

4.3.2 The HRA capital programme for 2017/18 was reported to 28 February 2017. The 2017/18 HRA programme is now projecting an increase of £4,999,680 to £21,334,220 due to:

- £4,999,680 slippage of the capital schemes due to be completed in 2016/17 (as detailed in the table at paragraph 4.2.2).

4.4 CAPITAL RESOURCES GENERAL FUND AND HRA

4.4.1 **General Fund** - projected capital receipts for the current and following years have been reviewed and updated for the current disposals programme. While there is no guarantee that all of these receipts will be realised, they reduce the future need for the Council to borrow and/ or the need to utilise the Capital Reserve. Prudential borrowing of £370,130 is required for 2017/18 for the 10 year plan for the garage estates. The 2017/18 Final Capital Strategy reported that by 2018/19 there would be unused resources of £441k, this has now increased to £781k. The net increase in unallocated resource is due to: budget savings of £390,780 (see table paragraph 4.1.2), increase to the budget for the replacement shredder of £5,000 and a reduction in the forecast capital receipts £46k. The chart below shows unallocated resources reported at February Council and quarter 3.



4.4.2 **HRA** - had 20 **Right to Buy (RTB)** sales in the third quarter of 2016/17, compared to 32 for the third quarter of 2015/16. The forecast total for the year is 61. There are currently 54 applications' for RTB's (as at 8 February 2017). The gross and net sale price to 30 January 2017 (52 sales) are shown in the table below, together with the average discount given.

RTB Sales				
RTB Sales	All Stock Sold	Average Gross price	Average Discount	Average Net Receipt
Year	No.	£	£	£
2015/16	106	180,163	73,570	102,647
2016/17 Quarter 1	12	185,000	73,100	111,900
2016/17 Quarter 2	14	206,786	75,086	131,700
2016/17 Quarter 3	20	206,250	76,006	130,244
2016/17 to 30 January 2017	52	202,115	74,652	127,463

4.4.3 RTB receipts retained by the Council are based on formulae and are categorised as follows:

- **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 for 2016/17 the cap is £87,505 per quarter.
- **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.
- **New Build Provision** - this represents the remaining receipt once the other monies have been calculated. Only 30% of the expenditure on a scheme can be funded from New Build Provision receipts, with the Council having to provide the remaining 70%.

4.4.4 Total RTB receipts received April to December 2016 was £5,802,822. The Council has paid £653,361 to the Government leaving £5,149,461 of the receipts being retained by the Council. This is shown in the table below:

RTB Receipts 2016/17						
RTB Receipts	RTB Admin	Allowable Debt	LA Assumed Income	New Build Receipts	Payment to Government	Total RTB Receipts
	£	£	£	£	£	£
2015/16 Actual	137,800	2,975,224	346,542	6,655,499	878,189	10,993,254
2016/17 Quarter 1 Actual	15,600	269,184	87,505	764,058	217,787	1,354,134
2016/17 Quarter 2 Actual	18,200	361,557	87,505	1,158,751	217,787	1,843,800
2016/17 Quarter 3 Actual	26,000	556,442	87,505	1,717,153	217,787	2,604,888
2016/17 Projection Update (61 sales)	79,300	1,497,139	350,019	4,758,914	871,150	7,556,522
Original Budget Projection (100 sales)	130,000	2,645,198	350,019	7,193,633	871,150	11,190,000
Variance	(50,700)	(1,148,059)	0	(2,434,719)	0	(3,633,478)

4.5 BORROWING GENERAL FUND

4.5.1 The introduction of the Capital Reserve and the use of capital receipts reduces the in year need to borrow to fund the General Fund 5 Year Capital Strategy. There have been no changes in the forecast borrowing for 2016/17.

- 4.5.2 The Council has a requirement to make a Minimum Revenue Provision (MRP) in the General Fund to reflect the repayment of the borrowing over the life of the assets which were purchased. The Council makes this payment one year in arrears, regardless of whether physical borrowing has taken place. The MRP (excluding regeneration assets) for 2016/17 as a result of the need to borrow in 2011/12 to 2014/15 is £318,570. In addition there is borrowing relating to regeneration assets (£8,376,465) giving rise to a total MRP for 2016/17 of £653,630.
- 4.5.3 The decision whether to borrow from the market or the Public Loans Works Board (PWLB) is a Treasury Management decision and will depend on cash balances held by the Council and interest rates pertaining at the time.

5. IMPLICATIONS

5.1 Financial Implications

- 5.1.1 This report is financial in nature and consequently financial implications are included in the above.
- 5.1.2 The cumulative changes made to the original General Fund and Housing Revenue Account capital budgets remains within the £250,000 (increase) variation limit delegated to the Executive for each fund.

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 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.

- 5.5.3 There are risks around achieving the level of disposals budgeted for. The estimated dates of receipts very much rely on a series of steps being successful. The level of receipts for the General Fund is a significant source of funding for its capital programme. The Council manages this risk by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

BACKGROUND DOCUMENTS

BD1 - General Fund Capital Strategy

BD2 - Housing Revenue Account Capital Strategy

BD3 - 2017/18 Final Capital Forward Plan and 5 Year Capital Strategy 28 February 2017.

<http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5B.pdf>