Part I
Release to Press

Meeting:	**EXECUTIVE**	**Agenda Item:**
Portfolio Area:	Resources	
Date:	**5 September 2018**	

QUARTER 1 MONITORING REPORT (CAPITAL) - GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

Authors – Yamini Krishnan Ext. 2752
Contributor – Anita Thomas Ext. 2430
Finance team and budget managers
Lead Officers – Clare Fletcher Ext. 2933
Contact Officer – Clare Fletcher Ext. 2933

1 PURPOSE

1.1 To provide Members with an update on the Council's 2018/19 and 2019/20 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 2018/19 General Fund capital programme net decrease in expenditure of £ 798,260 be approved as summarised in paragraph 4.1.1.

2.2 That the virement from the deferred works Budget of £49,000 and for Multi Storey Car Park £12,140 as summarised in paragraph 4.1.5 and 4.1.6 be approved.

2.3 The General Fund re profiling of capital expenditure to 2019/20 of £1,627,500 as summarised in table one, be approved.

2.4 That Members note that there is no increase in the capital expenditure for 2019/20 Housing Revenue Account, as summarised in table two.

3 BACKGROUND

3.1 The 2018/19 capital programme was approved at the July Executive:

- General Fund £32,805,510
- Housing Revenue Account £23,227,800

3.2 Subsequently Council approved an increase of £2,900,000 as detailed in 4.2.1, this brings the current working budget to £26,127,800.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2018/19 General Fund Capital Programme

4.1.1 The updated projection for 2018/19 General Fund capital programme (as detailed in Appendix A) is £32,007,250, a reduction of £798,260 due to:

- **Vehicle/plant replacement programme** brought forward to 2018/19 from future years (**+£567,740**). Following an extensive review of the vehicle requirements for Stevenage Direct Services, the capital programme was reduced by £1.2million over the three year programme and incorporated into the capital report to the July Executive.
- **Regeneration schemes (- £1,366,000)** re-profiled to match the wider SG1 phasing of works (see also para 4.1.2).

Changes to General Fund Capital Budget		
Capital Programme Change to 2018/19 Working Budget & 2019/20 Projected Budget	**Increase (Decrease) to 2018/19 Working Budget £**	**Increase (Decrease) to 2019/20 Projected Budget £**
Slippage		
Vehicle replacements – revised delivery programme	567,740	261,500
Town Square Improvements	(1,000,000)	1,000,000
Leisure Centre GD1	(400,000)	400,000
Old Town Parking Permit Implementation	(11,000)	11,000
Multi Storey Car Park	45,000	(45,000)
Total Slippage	**(798,260)**	**1,627,500**
Springfield House - Boiler Upgrade	14,000	
Town Centre Toilets	15,000	
Deferred Works Reserve	**(49,000)**	
Multi Storey Car Park	12,140	
Surface Car Parks	**(12,140)**	
Total Virements Between Projects	**0**	**0**
Total Change in Working Budget and Projected Budgets	**(798,260)**	**1,627,500**

Slippage:

4.1.2 **Regeneration**- Included in the works re-profiled to 2019/20 (£1,627,500) are regeneration projects for Town Centre improvements (£1,000,000) and Leisure Centre (£400,000). These schemes have been re-profiled to map the wider SG1 scheme and the work Mace, the Council's SG1 developer, are undertaking. Improvement works to the multi storey car park originally scheduled for 2019/20 have been brought forward to 2018/19.

4.1.3 **IT/Digital (Connected to our Customers (CTOC)) Programme** – The capital programme has been amended to realign schemes between the IT improvement programme and the Connected to our Customers (CTOC)/Digital Agenda. The total schemes moved between Connected to our Customers (CTOC)/Digital programme and IT improvement budget amount to £324,600. There is a potential risk of slippage of Connected to our Customers (CTOC) budgets (£224,000). This has not been included in Appendix A but may be reported later on in the year when there's more clarity around the timing of delivery.

Reductions in Expenditure:

4.1.4 No major reduction in capital expenditure has been identified at 1st quarter.

Virements from the Deferred Works Budget

4.1.5 The following unplanned capital works have been identified for which a transfer from the deferred works budget is requested;

- **Boiler upgrade/replacement** – essential replacement/ upgrade of boiler and heating systems have been identified following routine inspections at St Nicholas Community Centre (£20,000) and £14,000 at Springfield House (£14,000).
- **Re- roofing works at Town Centre Toilet** - £15,000 are required after leaks were discovered.

4.1.6 **Multi Storey Car Park** -The cladding proposal by the developers of Park Place and the implementation of sound proofing systems has required that works to the railings and the north face columns and panels amounting to £45,000 be brought forward from 2019/20 with an additional virement of £12,140 from the off-street car park (Surface car parks) budget to fund the shortfall. It has been confirmed that no further resurfacing works are planned for the current financial year.

Other Updates:

4.1.7 Members approved a £15million investment to acquire a **commercial property portfolio** to support the Financial Security work stream. Currently there are no acquisitions in the pipeline that meet the Council's investment criteria. The Investment Consultancy tender closed on the 6th August, and it is intended to appoint external support to help with the pace of identifying potential opportunities. This will commence mid to late August 2018, with initial outcomes targeted for November 2018. The aim is to complete the allocated spend in 2018/19, subject to suitable sites being available.

4.1.8 **Stevenage Town Centre Improvements**: Investment plans and improvement plans have been developed to bring life to the heart of the heritage area within the town centre using capital funding and further funding from the Local Enterprise Partnership (LEP). Officers are working on a more detailed stage of the project set up, to achieve the best result for the town and co-ordinating with prospective partners who would develop SG1 with the Council.

4.1.9 **Market Place Improvement**: Works have now begun on changes to the market place which will transform the area into a family friendly and vibrant part of the town. The works include a variety of new play equipment, paving and street furniture for the area. These works are expected to be completed by Autumn 2018.

4.1.10 New **wayfinding signage** is being installed throughout the town during summer 2018. This signage will celebrate the new town heritage as well as provide clear and concise navigational information.

4.2 **2018/19 Housing Revenue Account Capital Programme**

4.2.1 The projection for 2018/19 Housing Revenue Account capital programme remains unchanged at £26,127,800 (as detailed in Appendix B). Since the capital outturn report (Executive 11 July 2018), Council (25 July 2018) approved an increase of £2,900,000 for the following schemes to enable the procurement to commence;

- £900,000 to fund Lifts for High Plash, High Croft and The Towers and/or decant costs to facilitate refurbishment and maintenance of lifts at these sites, subject to evaluation of these options being completed.
- £2,000,000 for the retrofitting fire suppressant sprinkler systems to residential tower blocks.

Slippage:

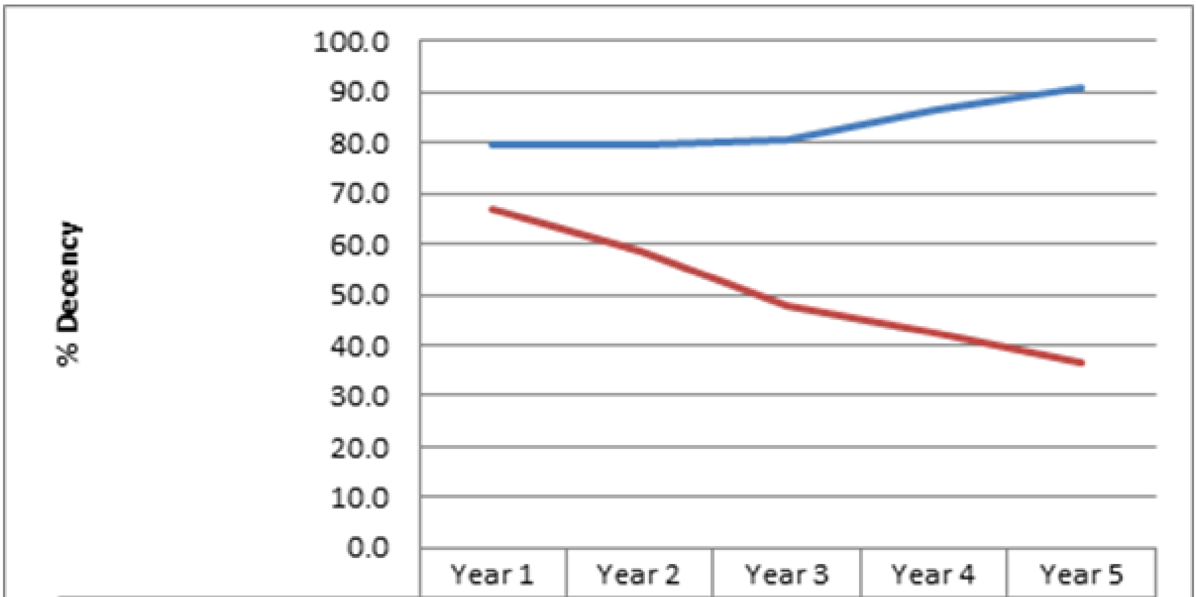
4.2.2 Following Council approval (see para 4.2.1), procurement is underway for Lifts and Sprinklers, the mobilisation of the works phase is expected to commence in fourth quarter of 2018/19 and the works possibly continuing through to 2019/20. A detailed spend profile will be available following contract award and mobilisation and this will be reflected in the future Capital Strategy to the Executive.

4.2.3 **IT/Digital (Connected to our Customers (CTOC)) Programme** – As mentioned in paragraph 4.1.3 IT budgets are being reviewed and any reprofiling of schemes will impact the HRA. As yet no changes in IT budgets have been identified until there is more clarity around the timing of delivery

Other Updates:

4.2.4 The **HRA Business Plan** will be updated in the HRA MTFS report to the October Executive. Any recommendations will be incorporated into future capital monitoring reports.

4.2.5 The **decent homes programme** forms a large part of the ongoing investment programme of the HRA. The following graph shows the decency profile with and without investment over the next five years.



	Year 1	Year 2	Year 3	Year 4	Year 5
With Investment	79.6	79.6	80.7	86.3	90.9
Without Investment	66.7	58.4	48.0	42.2	36.7

4.2.6 The HRA **Right to buy** receipts includes a 1.4.1 balance of £10,101,670, available to fund 30% of the future new build schemes. As Members are aware there is a three year deadline to spend these receipts and if un- spent the receipt must be returned to government plus interest (calculated at 4% above base rate). Due to the lead time for new build schemes which include finding suitable residential development sites, grant of planning permission, procurement and build, achieving the three year deadline is becoming more challenging. Officers have reviewed the projected spend and the opportunities to support local social housing providers in return for nomination rights so that one for one receipts can be utilised wherever possible. The revised programme as outlined in Appendix B now forecast that receipts of £336,000 (£112,000 reported in July 2018) plus interest will be due to be handed back in 4th Quarter of 2018/19. However this may change during the year if there are further changes in the spend profile.

4.2.7 The Social Housing Green Paper published on the 14th August is consulting on a number of policy changes. A further consultation document of the use of right to buy receipts was also published along side the Green Paper and includes proposals on;

- Increase use of 1-4-1 receipts (from 30% to 50%)
- One off relaxation of the interest penalty
- Ability to hold existing receipts for five years (from three years)

4.2.8 Officers will be responding to the Green Paper consultations and lobby government to support these changes. The consultation period closes on the

6th November 2018 and any changes may not be in place to effect the current 1-4-1 position mentioned in paragragh 4.2.6.

4.3 **Capital Resources General Fund**

4.3.1 Projected capital receipts for the current and future years have been reviewed. New build schemes Ditchmore Lane and Shephall View which were originally forecast in 2019/20 to be sold privately, have now been moved to 2020/21 and 2021/22 respectively. Officers are in discussion with a number of tenants regarding options around their leases, with a view to assemble further land. These revised plans have meant that there will be a delay in the original procurement and construction schedule.

4.3.2 Prudential borrowing identified for the Garage asset review programme and commercial property portfolio will be a treasury management decision as to when the external borrowing is actually taken.

4.3.3 The capital programme for elements of the town centre regeneration project is funded in part by the Local Enterprise Partnership (LEP). The third tranche of funding (GD3) has yet to be approved. The bus station relocation work, a key element in progressing SG1, is expected to be funded from GD3. Work has started on relocation options and SBC resources are funding these works in the interim, pending the GD3 grant allocation.

4.4 **Capital Resources Housing Revenue Account**

4.4.1 The HRA had six Right to buy (RTB) sales in the first quarter (13 RTB sales in the same quarter last year). As at 8 August 2018, two more RTB sales had been completed (20 RTB sales up to the end of August 2017) and the revised forecast for the year is 35 sales (original budgeted at 50 sales). Gross and net sale proceeds and average discount given is shown in the following table:

RTB Receipts 2018/19						
RTB Receipts	**RTB Admin**	**Allowable Debt**	**LA Assumed Income**	**New Build Receipts**	**Payment to Government**	**Total RTB Receipts**
	£	**£**	**£**	**£**	**£**	**£**
2017/18 Actual	46,800	653,010	353,531	2,861,410	863,248	**4,778,000**
2018/19 Quarter 1 Actual	7,800	113,772	89,267	446,100	215,812	**872,751**
2018/19 Projection Update	45,500	663,670	357,068	3,161,544	863,248	**5,091,030**
Budget Projection (2018/19 Capital Strategy)	65,000	1,171,577	357,068	4,808,625	871,881	**7,274,151**
Variance	(19,500)	(507,907)	0	(1,647,081)	(8,633)	(2,183,121)

4.4.2 A full update of capital resources available to the HRA will be included in the updated HRA Business Plan.

4.4.3 Prudential borrowing identified for the temporary lift and Sprinkler System for the flat blocks will be a treasury management decision as to when external borrowing is actually taken.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is of a financial nature and financial implications are contained within the body of the report.

5.1.2 The cumulative changes made to the original General Fund and HRA 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 Equalities and Diversity Implications

5.3.1 The decent homes programme is led by condition surveys of the stock and not prioritised by group. The capital changes identified in this report are not expected to impact on any groups covered by statutory equalities duties.

5.4 Risk Implications

5.4.1 The Housing Investment Team anticipate delivery of the HRA Capital Programme in full. There are risks to the delivery which include, potential leaseholder s20 challenge causing delays to the commencement of works, prolonged adverse weather conditions, newly appointed contractors on MRC, communal heating and lifts are not tried and tested and as such performance is yet to be assessed. Monthly programme review meetings are held with all contractors, with Partnership Board meetings providing further governance at senior management level.

5.4.2 The Capital programme is funded from a number of sources including capital receipts and borrowing. The timing and value of the capital receipt cannot be known with certainty.

5.4.3 When cash balances are above that required for the day to day running of the council the treasury management policy is to use internal borrowing. When actual borrowing is taken interest rates may be higher than those prevailing now. The Council manages this risk by reviewing and updating its cash flow forecast and Treasury Management strategy regularly.

BACKGROUND PAPERS

- BD1 – General Fund Capital Strategy
- BD2 – Housing Revenue Account Capital Strategy