Meeting:	**EXECUTIVE**	**Agenda Item:**
Portfolio Area:	Resources	
Date:	**19 September 2017**	

1ST QUARTER MONITORING CAPITAL PROGRAMME - GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

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1 PURPOSE

1.1 To provide Members with an update on the Council's 2017/18 and 2018/19 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 2017/18 General Fund capital programme net decrease in expenditure of £1,611,870 be approved as summarised in paragraph 4.1.1.

2.2 That the virement from the deferred works Budget of £69,760 as summarised in paragraph 4.1.5. be approved.

2.3 That the 2017/18 Housing Revenue Account capital programme net decrease in expenditure of £1,507,250 be approved, as summarised in paragraph 4.3.1.

2.4 That the 2018/19 General Fund increase in capital expenditure of £1,480,370 be approved, as summarised in table one.

2.5 That the 2018/19 Housing Revenue Account increase in capital expenditure of £1,571,250 be approved, as summarised in table two.

3 BACKGROUND

3.1 The 2017/18 capital programme was approved at the July Executive:

- General Fund £27,605,280
- Housing Revenue Account £18,807,920

3.2 Following the 2016/17 capital outturn report Officers have held capital clinics to challenge the deliverability of the capital programme and assess the impacts of service reviews undertaken by Assistant Directors as part of the Future Town Future Council programme. The outcome of these clinics has been included in this report, however the work of the capital review group is ongoing and future updates to the capital programme will be reported to Members in subsequent reports.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2017/18 General Fund Capital Programme

4.1.1 The projection for 2017/18 General Fund capital programme of £25,993,410. A reduction of £1,611,870 due to:

- £1,480,370 schemes re-profiled to 2018/19
- and £131,500 reduced cost/removal of scheme from programme

Table 1:Capital Programme Change to 2017/18 Working Budget & 2018/19 Projected Budget	Increase (Decrease) to 2017/18 Working Budget £	Increase Decrease to 2018/19 Budget £
Slippage		
Phased Replacement Pay & Display Parking Machines	(11,000)	11,000
Indoor Market (alarm replacement)	(20,000)	20,000
Park Pavilions	(75,000)	75,000
Town Square Assets Condition Survey	(113,000)	113,000
Asbestos Surveyor for garages	(10,000)	10,000
Public realm improvements to Town Square	(50,000)	50,000
On-Line Housing Application Form (ICT)	(3,250)	3,250
Infrastructure Investment (ICT)	(125,000)	125,000
Online customer account (ICT)	(100,000)	100,000
Call Recording (ICT)	(23,000)	23,000
St Georges Car Park improvements	(220,000)	220,000
Depots works	(35,180)	35,180
Preparation works to units 1,4,5 of the former QD Building ready for letting	(57,500)	57,500
Garage Programme	(637,440)	637,440
Total Slippage	**(1,480,370)**	**1,480,370**

Virements From the Deferred Works Budget		
Deferred Works Reserve	(69,760)	
CCTV cameras	19,760	
JCB Refurbishment at transfer station	50,000	
Total Virements Between Projects	**0**	**0**
Decreases to 2017/18 Budget		
Scarborough Avenue Redevelopment	(27,500)	
Daneshill Offices Atrium & First Floor (refurbishment specification reduced)	(37,000)	
Swingate House Reroofing (refurbishment specification reduced)	(43,000)	
Shops	(16,500)	
Swingate	(7,500)	
Total Decreases to 2017/18 Budget	**(131,500)**	**0**
Total Change in Working Budget and Projected Budgets	**(1,611,870)**	**1,480,370**

Slippage:

4.1.2 Included in the works re-profiled to 2018/19 is £251,250 of ICT projects. The Council has committed through its Connected to Customers programme to invest in ICT to enable high quality and sustainable customer services. For the Shared ICT Service other drivers have also come to the fore in the last 12 months, with resilience and security becoming increasingly important. The programme of work has been amended accordingly and now includes responses to recent external reviews of the Shared ICT Service, Cybersecurity and Public Service Network compliance, and also includes learning from recent service disruptions. The programme for 2017/18 includes:

- Upgrading the Council's IT infrastructure so it can support a range of new digital applications and services
- Commencing the design and commission of a new website and launch of a new intranet
- Expanding the accessibility of our services to customers through use of digital technologies including a new online Council Tax and Business Rates account, plus improved methods of online payments
- Using technology to reduce printing costs through electronic meeting management
- Implementation of the Council's cyber security action plan.
- Completing the telephony software upgrade

4.1.3 In respect of the IT infrastructure officers have already implemented the additional capacity to support applications within the data centres, and are currently focussed on improving power resilience and back up capabilities. More detailed work to review the data centre architecture will be commissioned in the near future, with the key output being a delivery plan that will enable implementation of the recommendations by April 2018. In addition, the intention is to commission a workstyles assessment to inform the desktop refresh to ensure any investment takes into account the councils' needs in relation to mobile and agile / flexible working. The desktop refresh investment will now commence Q1 2018/19, hence the proposal to slip budget into next year.

4.1.4 Digital Programme - A team will be assembled during Q3 and will prioritise delivery of a new website and intranet alongside ongoing implementations of Moderngov, Civica Payments and new Northgate Housing modules. The new team will provide increased capacity to deliver digital projects going into 2018/19 and will focus on design and delivery of the improved online customer experience.

4.1.5 A programme manager has now been appointed for the garage investment programme. A pilot scheme is due to start and will be reported back to Members in October/November with a view to start the programme this year.

4.1.6 Officers have assigned the resources required to deliver the works identified at the indoor market and procurement of these projects are well underway. However the replacement of the fire alarm system requires more time to undertake detailed upfront design and investigations meaning that not all of the works are likely to be completed by the end of the financial year. Although Officers anticipate commencing the works this financial year not all we be completed and therefore it is estimated that £20,000 will need to slip into 2018/19.

4.1.7 Some of the slippage contained in the report is now being identified as a result of the capital clinics held as outlined in paragraph 3.2 and a review of the resources available to deliver the programme.

Reductions in Expenditure

4.1.8 The revised capital programme has identified a reduction of £131,500 of existing schemes, these in the main are residual amounts of resource relating to larger budgets which are no required as the work has been completed without requiring all the budgeted amount.

4.1.9 In addition consideration has been given to assets and the level of works that are within the Regeneration area SG1 or the assets are marked for disposal.

Virements from the Deferred Works Budget

4.1.10 The loader at the depot which is situated in the Transfer Station has broken down and officers request that £50,000 is allocated from the deferred works budget to refurbish the loader. In the interim a hire vehicle is being used however this doesn't have the same capacity. In addition a business case was developed for review by the Portfolio holder and subsequently recommended for priority approval for the replacement of five CCTV cameras. This will enable evidence recording at a standard suitable for civil and criminal prosecutions.

Other Updates:

4.1.11 Members approved £15million investment in a commercial property portfolio to support the Financial Security work stream. To date two potential sites (value £8million) are being investigated and subject to the full financial appraisals will be progressed in the second half of the year. The aim is to complete the allocated spend in 2017/18, subject to suitable sites being available.

4.1.12 During 1st Quarter the Council appointed a new permanent AD for Regeneration. 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 LEP. Officers are working on the 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. A further update on the prioritisation of the town centre programme with be provided to Members in the next Capital Strategy update.

4.1.13 In the Capital outturn report presented to July Executive, budget increase of £2,165,000 (revised budget £2,765,000) for expenditure on grants to Registered Housing Providers was proposed and subsequently approved. Three registered providers have suitable schemes with a total value £2,765,000 for which nomination rights for 40 properties have been secured.

4.2 **2017/18 Housing Revenue Account Capital Programme**

4.2.1 The projection for 2017/18 Housing Revenue Account capital programme of £17,300,670. A reduction of £1,507,250 due to:

- Re-profiling of major works schemes to 2018/19 £1,350,000
- Re-profiling of ICT schemes to 2018/19 £221,250
- Additional budget for replacement vans £76,300
- Racking costs for Repairs and Voids saving £12,300

Table two: Changes to Housing Revenue Account Capital Budget		
Capital Programme Change to 2017/18 Working Budget & 2018/19 Projected Budget	**Increase (Decrease) to 2017/18 Working Budget £**	**Increase Decrease to 2018/19 Budget £**
Slippage		
Decent Homes	(550,000)	550,000
Asset review	(800,000)	800,000
On-Line Housing Application Form	(46,750)	46,750
Infrastructure Investment	(62,500)	62,500
Online Customer Account	(100,000)	100,000
Call Recording	(12,000)	12,000
Total Slippage	**(1,571,250)**	**1,571,250**
Increases to 2017/18 Budget		
Repairs and Voids fleet replacement	76,300	
Decreases to 2017/18 Budget		
Repairs and Voids stores racking	(12,300)	
Total Change in Working Budget and Projected Budgets	**(1,507,250)**	**1,571,250**

Slippage

4.2.2 Two major contracts have been let for 2017/18 for external works and internal decent homes works. Following the delays in mobilisation, contractors are now on site and work has commenced. The volume of property openings will need to increase significantly over the coming months to ensure the full programme is delivered for this year. Although the delivery of the programme is achievable there are some risks which may cause further delay and as the bulk of the programme involves external works may be adversely affected by the weather. For example a delay in the programme of a month would result in a further slippage of up to £800,000, any additional slippage would be re-profiled for delivery in 2018/19.

4.2.3 As mentioned in para 4.1.2 to 4.1.4 ICT including those associated with the HRA (£246,750) has been re-profiled to 2018/19.

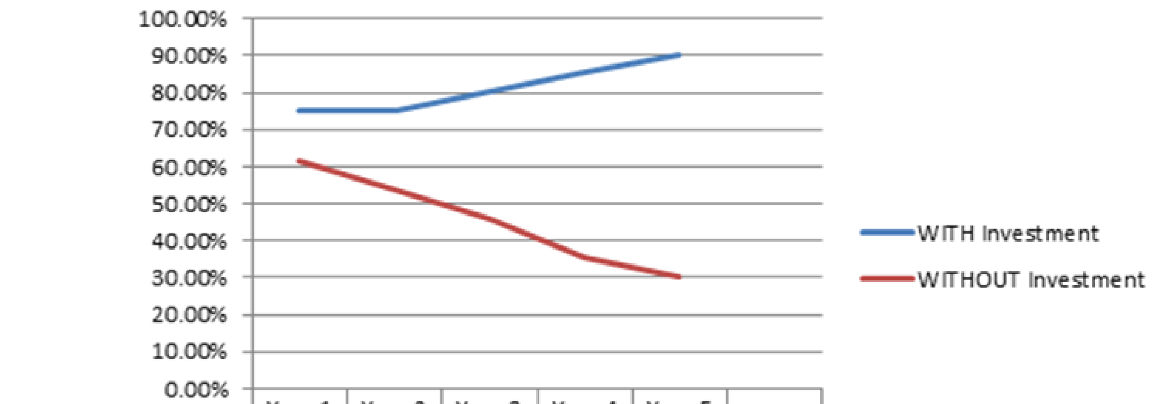
Increases in Expenditure

4.2.4 Negotiations with suppliers for the replacement fleet for the Repairs and Voids service have started (40 vehicles). The revised costs have increased from those estimated as all vehicles will include internal racking and security systems partly offset from reduced costs for storage racking at the depot.

Other Updates

4.2.5 The HRA 30 year capital programme has been revised in the HRA MTFS report to this Executive if approved. If the recommendations are approved, the revised budgets will be updated as part of future Capital Strategy reports.

4.2.6 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	75.33%	75.10%	80.15%	85.37%	90.13%	
WITHOUT Investment	61.75%	53.58%	45.63%	35.35%	30.02%	

4.3 **Capital Resources General Fund**

4.3.1 Projected capital receipts for the current and following years have been reviewed. The Council has received a request to identify one of its buildings as an 'Asset of Community Value', which Members have approved as earmarked for disposal and included in the 2018/19 capital receipts total. If the request is successful the council will be required to not dispose of the asset for six months and consider the proposal from the community group concerned. Any change to the capital receipts relating to the asset will be updated in the draft Capital Strategy report to the January 2018 Executive.

4.3.2 Any reduction in the level of receipts realised will require other sites to be brought forward or expenditure to be reduced in order to ensure the funding is available to fund future years' capital programmes.

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

4.4 **Capital Resources Housing Revenue Account**

4.4.1 The HRA had 13 right to buy (RTB) sales in the first quarter (12 RTB sales in the same quarter last year). As at 25rd August 20 RTB sales had been completed and the forecast for the year remains unchanged at 50 sales.

Gross and net sale proceeds and average discount given is shown in the following table:

RTB Receipts 2017/18							
RTB Receipts	RTB Admin	Allowable Debt	LA Assumed Income	New Build Receipts	Payment to Government	Total RTB Receipts
	£	£	£	£	£	£
2016/17 Actual	78,000	1,505,702	350,019	4,722,547	871,150	**7,527,418**
2017/18 Quarter 1 Actual	16,900	329,026	88,383	1,312,579	215,812	**1,962,700**
2017/18 Projection Update	65,000	1,249,149	360,602	3,825,146	897,489	**6,397,386**
Budget Projection (2017/18 Capital Strategy)	65,000	1,269,149	360,602	3,825,146	897,489	**6,417,386**
Variance	0	(20,000)	0	0	0	(20,000)

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

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 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.

5.4.2 While cash balances are high 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
http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170228-Item5B.pdf
BD2 – Housing Revenue Account Capital Strategy
http://www.stevenage.gov.uk/content/committees/160923/160927/160991/20170131-Item3.pdf

APPENDICES

None