

**Meeting: EXECUTIVE**

Portfolio Area: Resources

**Date: 14 MARCH 2019**

**3RD 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 2018/19 and 2019/20 capital programme and seek approval for the revisions to the General Fund capital programme
- 1.2 To update Members on capital resources available to fund the capital programmes.

**2 RECOMMENDATIONS**

- 2.1 That the 2018/19 General Fund capital programme net decrease in expenditure of £3.870Million be approved as summarised in section 4.1
- 2.2 That the 2018/19 Housing Revenue Account capital programme net decrease in expenditure of £0.911Million be approved as summarised in section 4.2.
- 2.3 That the 2019/20 General Fund increase in capital expenditure of £3.015Million (slippage from 2018/19) be approved, as summarised in paragraph 4.1.3.
- 2.4 That the 2019/20 HRA increase in capital expenditure of £1.036Million (£911K slippage from 2018/19 and £125K vehicles) be approved.

### 3 BACKGROUND

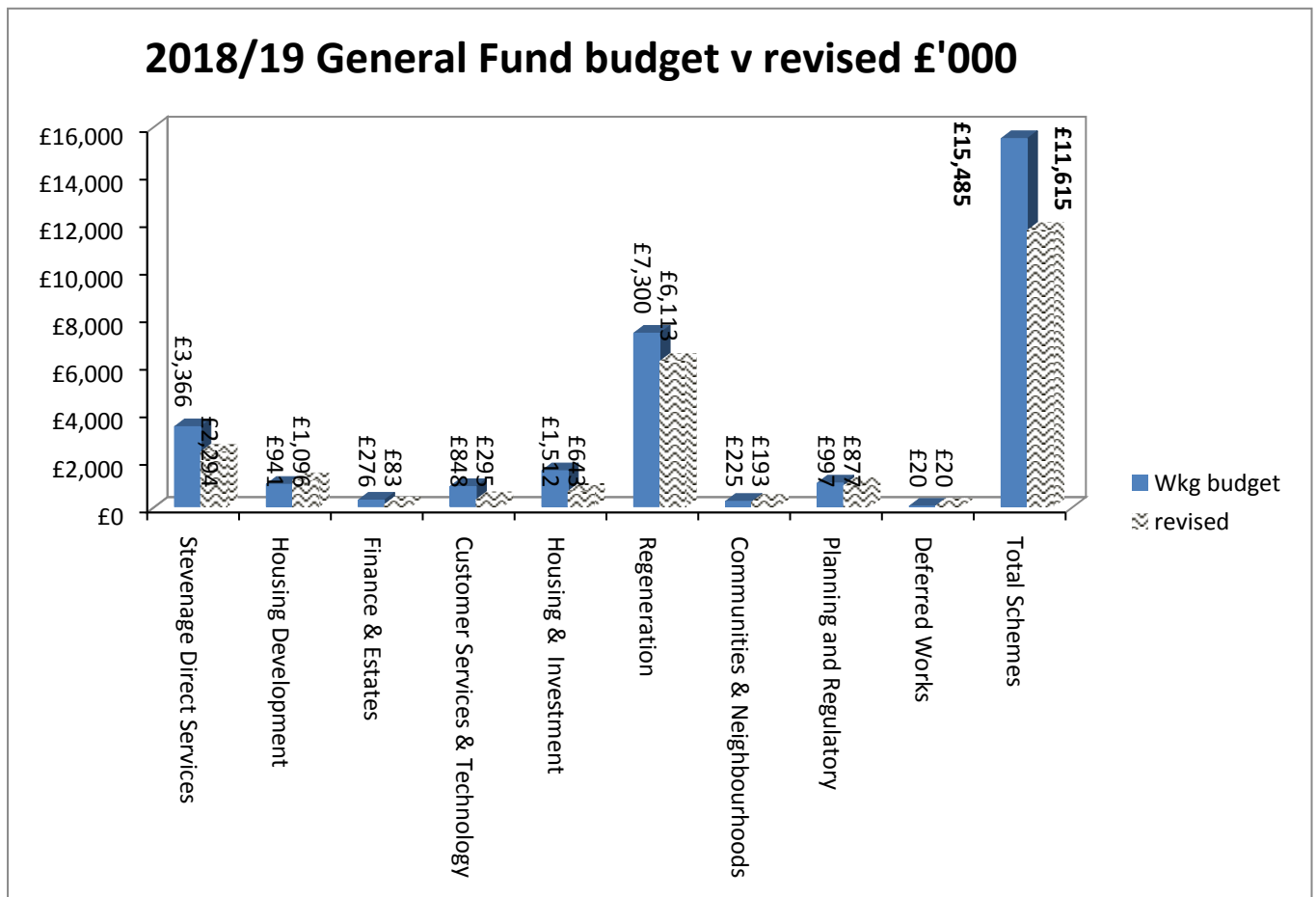
3.1 The latest 2018/19 capital programme was approved at Council on 27 February 2019. The 2018/19 programme totals for each fund were;

- General Fund £15,484,880
- Housing Revenue Account £23,527,800

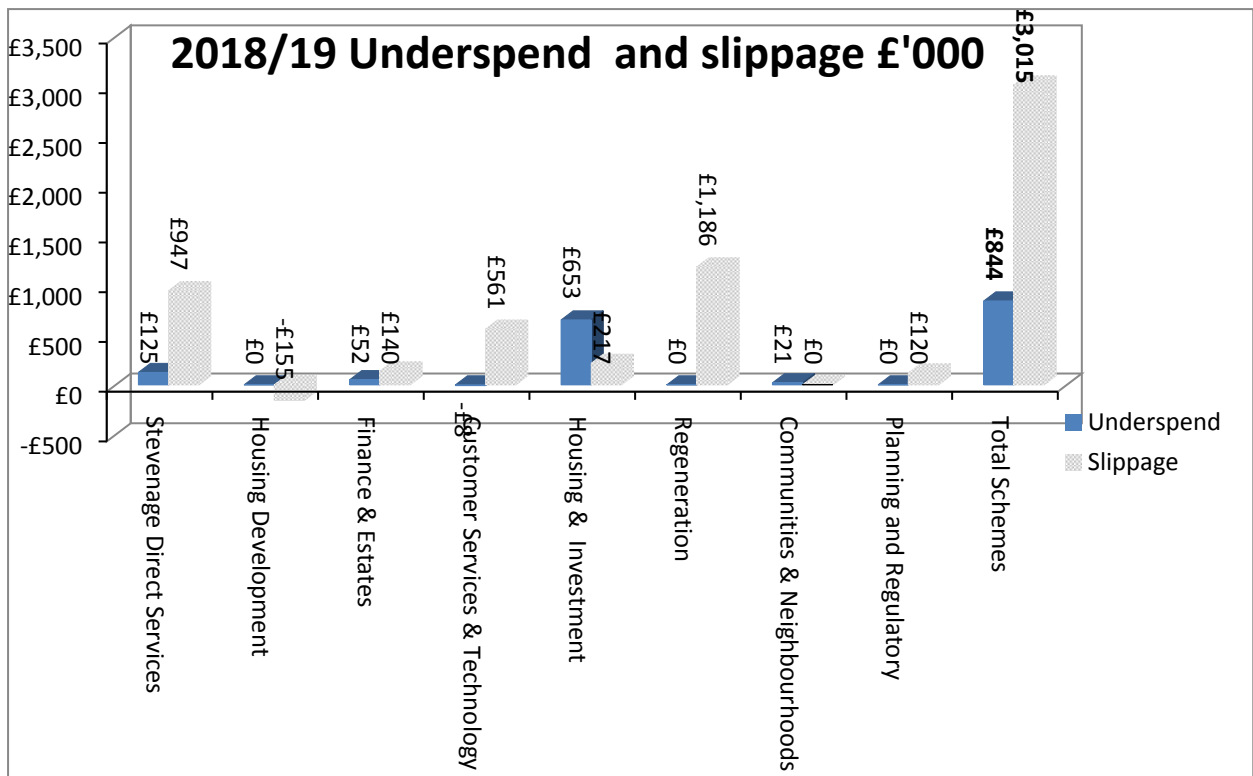
### 4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

#### 4.1 2018/19 General Fund Capital Programme

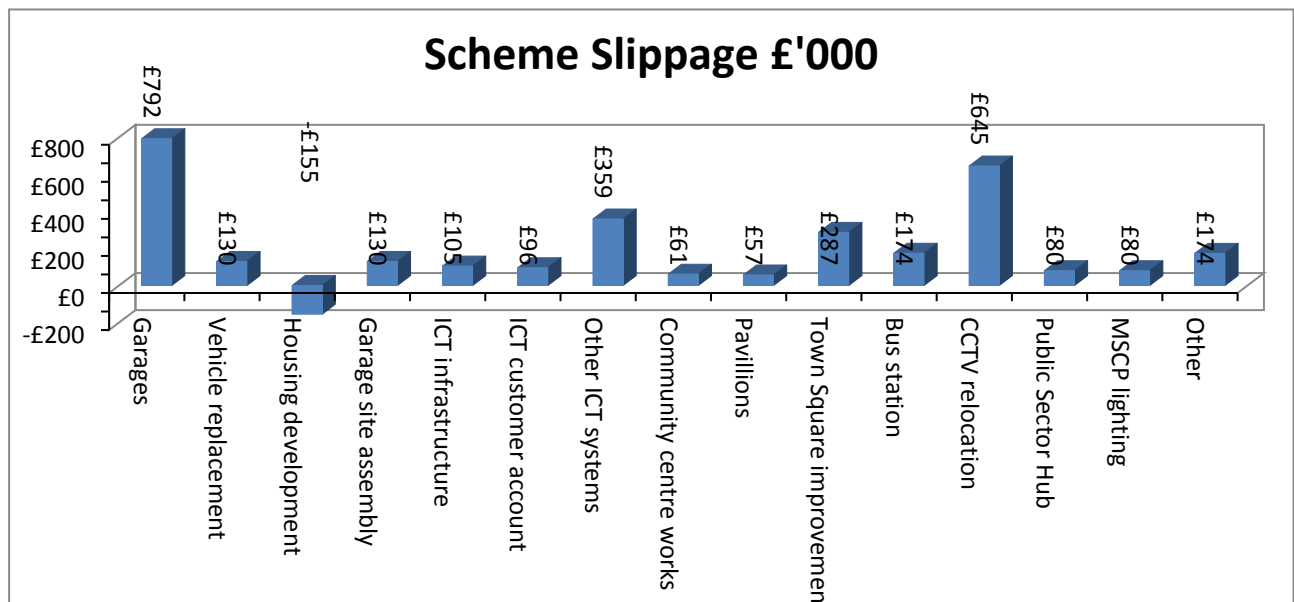
4.1.1 The 2018/19 General Fund capital programme of £15.485Million (detailed in backing document BD1) has reduced by £3.870Million to £11.615Million.



4.1.2 The net reduction in projected spend by Business Unit is summarised below and £3.015Million of this relates to scheme slippage.



4.1.3 The main areas of **scheme slippage** are summarised in the following chart with explanations for the larger areas of slippage.

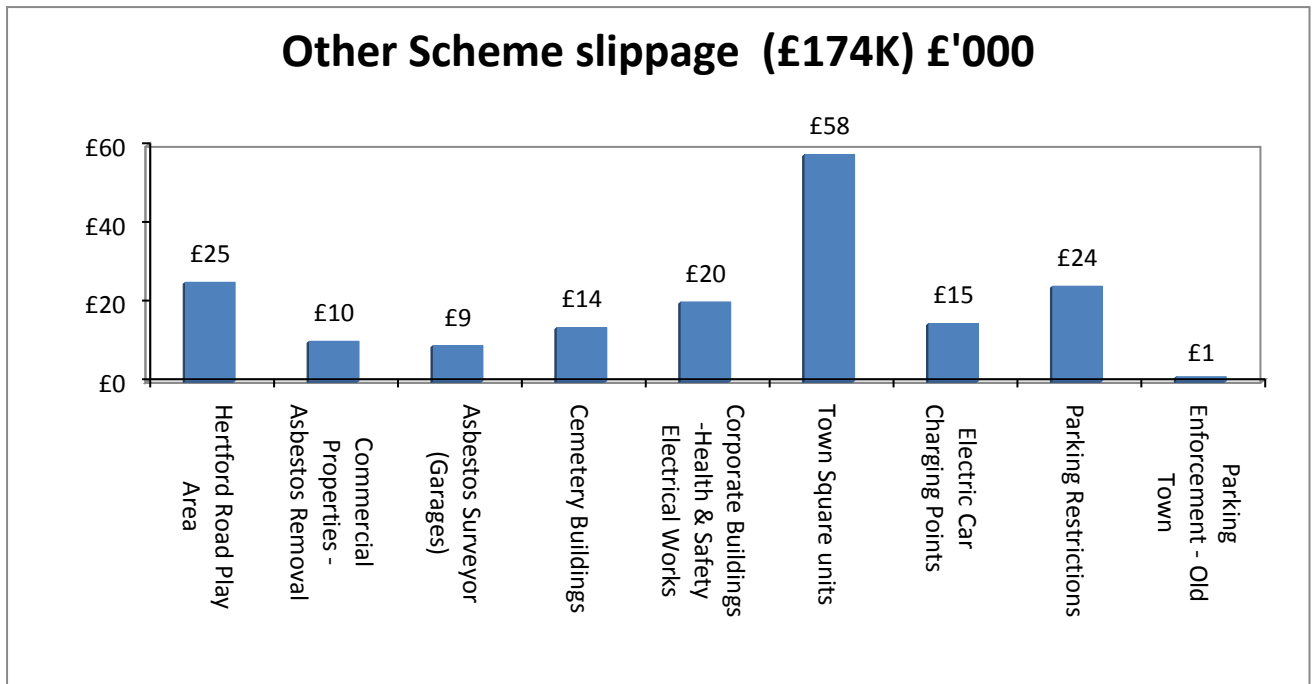


4.1.4 **Garages**- Two further pilot sites have been commenced in order to test and confirm operational arrangements with a view to the remainder of the works commencing in the new financial year. The works will be completed by the Major Repairs Contract (MRC) contractor.

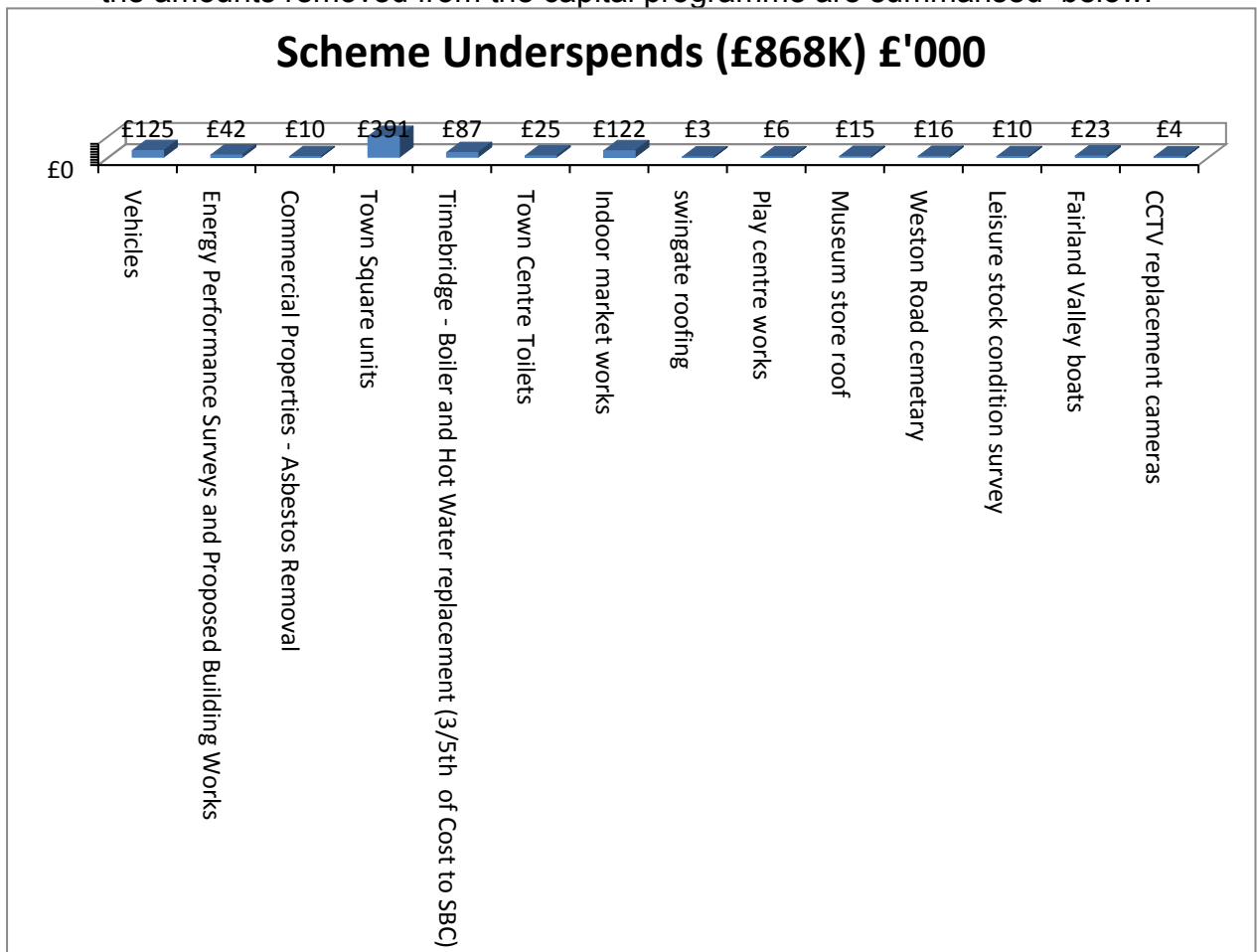
- 4.1.5 **Vehicles** - The working budget was £1.872Million with 86% projected to be delivered in year with a further £130K or 7% of vehicle purchases slipping into the next financial year. The slippage relates to specialist grave digging equipment which, following demonstrations and site testing did not meet the council's requirements resulting in the need to consider alternative products and a delay to an order being placed.
- 4.1.6 In addition five new caretaking vehicles totalling £125K (7%) were included in the fleet replacement, although they are part of Stevenage Direct Services Business Unit, they provide a service to the HRA and should be funded from the HRA. These vehicles are scheduled to be delivered in 2019/20 and have been removed from the General Fund programme and included in the HRA 2019/20 capital programme and funded from HRA resources.
- 4.1.7 **Housing Development** - The Ditchmore re-development scheme is now projected to spend a further £155K than profiled in the 2018/19 budget. There is approved funding in 2019/20 to fund the increase in spend and this is requested to be brought forward. Overall the scheme remains on budget.
- 4.1.8 **Garage Site Assembly** - Sites for disposal have been identified but rely on the acquisition of privately owned garages and other site assembly issues. Revised sites were identified as part of the garage report to the October 2018 Executive and these will be progressed in 2019/20. The underspend of £130k has been requested for slippage.
- 4.1.9 **ICT expenditure** – During Quarter 3 the Council appointed a new ICT Strategic Partnerships Manager who has been working in conjunction with the Assistant Director for Corporate Services to develop a new ICT strategy and supporting investment programme. Officers are continuing to work with Microsoft to identify future investment requirements which will help shape the new ICT Strategy and determine the three year ICT capital programme. The new strategy and roadmap is in development and is due to be reported to the Executive in June 2019.
- 4.1.10 The ICT Partnership Board have been reviewing and testing projects to ensure they align with the emerging strategy. Marketing testing and tendering for key ICT projects and deliverables is currently underway. At the 3<sup>rd</sup> quarter £552K of ICT associated spend has been allocated but is likely to be delivered in 2019/20 and is requested to be carried forward into the next financial year.
- 4.1.11 As part of the 2019/20 budget setting process Members have allocated additional staffing resources to deliver the ICT hardware and software programme. These include a new Microwave Link between Cavendish depot and Daneshill House, upgrade of the desktop environment, and security and storage requirements.
- 4.1.12 **Digital Services** - There is slippage of £33K relating to internet and the HR system for the purchase of additional modules now planned for 2019/20. The remaining £414K relates to schemes linked to the Future Town Future Council (FTFC) priority, Connecting to Our Customers. Three schemes, accounting for

£272K of that spend, are for the customer account, waste and recycling system and the new CRM system. Business cases have been drawn up and are being further developed to ensure that capital provision will deliver the required outputs and that the associated on-going revenue costs as a result of their implementation are affordable. A revenue pressure relating to the new CRM system has been included in the revenue monitoring report to this Executive.

- 4.1.13 There is slippage of £1.18 Million on four **Regeneration** schemes, of which £645K relates to the **CCTV relocation**. The progression of this scheme is reliant on third party cable providers to allow the scheme to be delivered. As a result the majority of the expenditure is now expected to be spent in 2019/20. However, the contractor is on site and negotiations with the cable providers are on-going, raising the possibility of increased expenditure this year, in which case the relevant spend will be brought forward. The other tenants in Swingate House are being relocated in the intervening period in readiness for SG1.
- 4.1.14 As part of the 2019/20 Capital Strategy report a request was made to bring forward £400K for **Town Square Improvements** from 2019/20, however based on current projections £287K of that funding is now likely to be spent in 2019/20. A planning application has already been submitted for the first part of the works to the surrounding buildings.
- 4.1.15 The Capital Strategy to February Council identified the funding needed (£6.1 Million) for the new **bus station**. In addition to that money, the Council was funding some up front design costs totalling £416K to enable the project to progress. It is now anticipated that only £242K will be spent in 2018/19, with a further £174K requested to be slipped into 2019/20.
- 4.1.16 There is also slippage of £100k in relation to the **Hub**. This was money which was brought forward to facilitate any design work which was required ahead of the RIBA 1 design process starting, but a focus on exploring additional interest from healthcare providers has meant that this money is not required until 2019/20.
- 4.1.17 The lighting improvements in the **MSCP car parks** has yet to be procured and will be started after the cladding works have been completed as part of the Park Place Development.
- 4.1.18 The remaining slippage of £174K (shown in the chart in para 4.1.3) is further detailed in the chart below and relates to schemes which are scheduled to be delivered in 2019/20.



4.1.19 In addition to the scheme slippage identified above there are scheme underspends of £880K (and overspends of £25K, which includes the removal of the caretaking vans of £125K as outlined in paragraph 4.1.5. A summary of the amounts removed from the capital programme are summarised below.

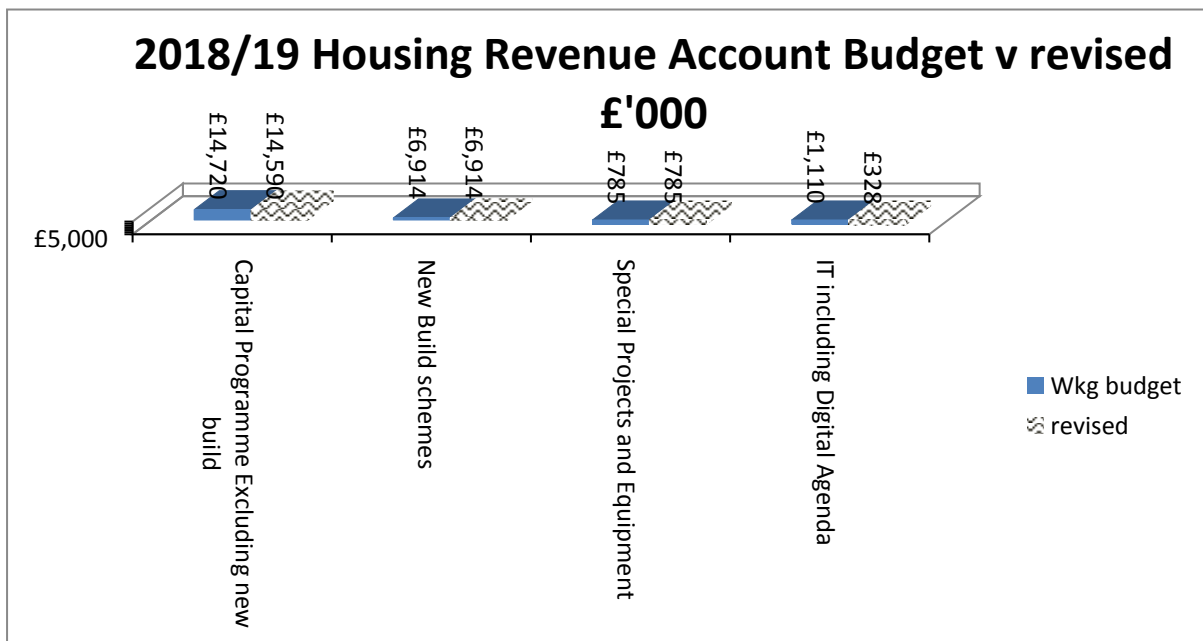


- 4.1.20 There is an underspend relating to units 3-29 **Town Square** of £391K, this relates to roofing works which have now been withdrawn due to the impending regeneration of the area. These works were funded from the Regeneration Assets reserve.
- 4.1.21 The works to **Timebridge boiler** cost £20,700 compared to the initial estimated cost of £108,000 because they were jointly funded by SBC and HCC and the scope of work was greatly reduced by HCC, the landlord following joint negotiations.
- 4.1.22 Budgeted works to the **indoor market** originally costed at £212K are now projected to cost £90K. These works related to lighting, heater replacements and electrical distribution boards. Work to the distribution boards have been completed. Anticipated lighting and heating unit failures have not occurred and officers have re-evaluated the options available. Replacement of components on heating units has resulted in extending the life of these units and a saving in the capital programme. In addition, fewer lighting unit replacements have been required contributing to an overall saving to the capital programme of £122K.
- 4.1.23 As part of a scheme to increase usage of the lake at Fairlands Valley officers identified a budget of £23K for pedaloes. Following discussions with the site operator the pedaloes have been purchased by SLL and SBC are no longer required to fund them.
- 4.1.24 There were minor overspends totalling £25K which are offset by the under spends identified above.
- 4.1.25 There is currently a further un-quantified pressure relating to the water management system at the leisure centre. Initial estimates for the works are in the region of £50K, however a detailed survey will be commissioned and the outcome will be included in a future capital report. It is anticipated these works will be required early in 2019/20.

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

- 4.2.1 Changes to the HRA capital strategy were reported as part of the Final Capital Strategy in February (Council 27/2/2019). The 2018/19 HRA capital programme of £23.528Million has reduced by £911K to £22.617Million as detailed in backing document BD2. The underspend of £911K is requested to be slipped into 2019/20.
- 4.2.2 ICT schemes account for £781K of the slippage which includes Connected to Our Customers and priority online tenant services, (see also para 4.1.12). Included in the slippage are ICT projects that support the housing transformation project such as on line tenant self-service and online application forms. These ICT solutions have been purchased and are due to

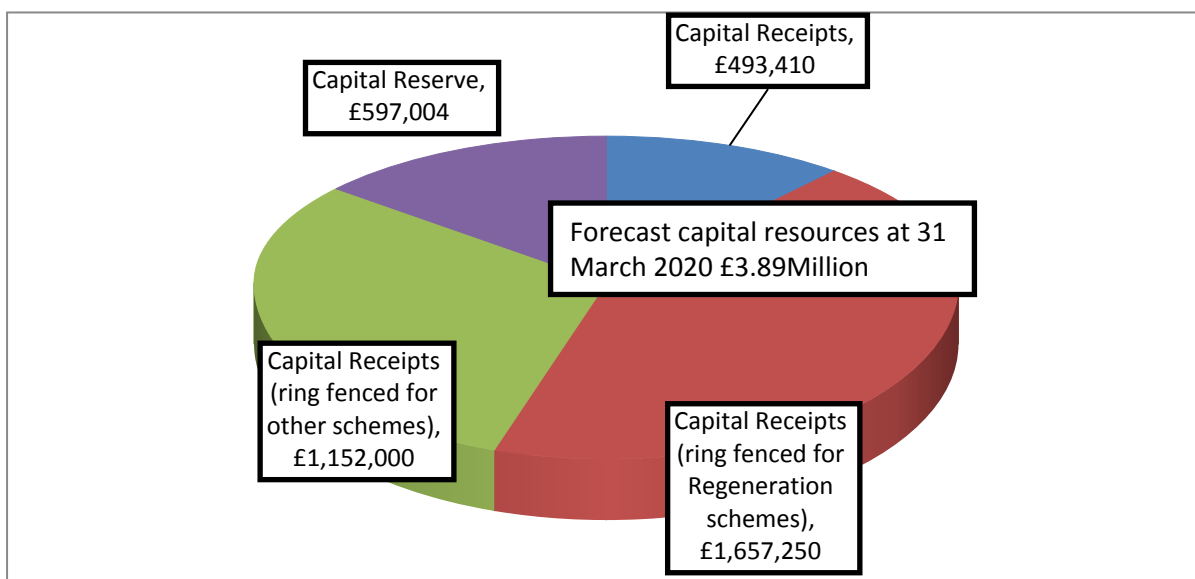
be rolled out in the coming months. Part of the budget is requested to be carried forward to 2019/20 to complete the implementation of these schemes.



### 4.3 Capital Resources General Fund

4.3.1 Projected capital receipts for the current year have been reviewed with no anticipated changes to those reported in the February Capital Strategy.

4.3.2 After financing the General Fund 2018/19 capital programme, the projected capital receipts and capital reserve are now estimated to be £3,899,664 at 31 March 2020 (£1,090,414 not ring-fenced), which is, £514,710 higher than the Capital Strategy report to February Council, because of underspend identified in this report. Forecast capital resources are summarised in the chart below.





4.3.3 Despite this increase in capital resources the CFO's recommendation is that part of the capital programme for 2019/20 remains on hold until sufficient receipts are realised or on track to be delivered. This is because of the level of receipts to be achieved in year versus the balance remaining at the year end.

#### **4.4 Capital Resources Housing Revenue Account**

4.4.1 The HRA had 19 right to buy (RTB) sales to the end of the 3<sup>rd</sup> quarter (27 RTB's in 17/18 to 3<sup>rd</sup> Quarter). As at 1 March 28 RTB sales had been completed, (one sale if exempt from pooling) and the projection for the full year is now 32 RTB's.

4.4.2 As Members are aware one for one receipts arising from RTB sales can only be used to part finance new social housing and must be spent within a three year timeframe. Receipts arising in 2016/17 must be spent during 2019/20 and the timing of expenditure will be critical in the next twelve months. Officers continue to monitor spend and look at opportunities to spend one for one receipts to minimise any requirement to return receipts to government.

#### **4.5 2019/20 capital programme for General Fund and HRA schemes**

4.5.1 Slippage of £3.015Million for the General Fund and slippage of £0.911Million for the HRA schemes to 2019/20 has been incorporated into this report (para 4.1.3 and 4.2.1).

4.5.2 The HRA capital budget for 2019/20 has been increased by £125k for the purchase of replacement caretaker vehicles.

4.5.3 The newly identified pressure relating to water management system at the leisure centre, is not currently included in the General Fund capital programme as full scoping and costing of the scheme has not yet been completed.

### **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 Spending departments complete EqIA where appropriate. This report has not identified any changes to the capital programme which would trigger a review of existing EqIA's.

### **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 HRA new build programme is funded 30% by one for one RTB receipts. These receipts need to be applied to eligible schemes within three years of receipt. If spend is incurred after the three year time frame it is no longer eligible and the receipt has to be returned to government with interest calculated at base rate plus 4%.

5.4.3 The capital programme includes numerous external contracts and third parties which can influence the deliverability of the programme. Any delays to contract procurement and/or mobilisation can cause planned expenditure to slip. Regular procurement meetings are held with Officers to mitigate the risks of the procurement process.

5.4.4 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
- BD2 – Housing Revenue Account Capital Strategy
- Capital Strategy 2018/19 – 2023/24 – Council 27<sup>th</sup> February 2019