

**Meeting:** EXECUTIVE

**Agenda Item:**

Portfolio Area: Resources

**Date:** 18 November 2020

**2ND QUARTER GENERAL FUND CAPITAL MONITORING REPORT 2020/21**



**KEY DECISION**

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**1 PURPOSE**

- 1.1 To provide Members with an update on the Council's 2020/21 General Fund capital programme.
- 1.2 To seek approval for the revisions to the General Fund capital programme.

**2 RECOMMENDATIONS**

- 2.1 That Executive recommend to Council the approval of the budget increase to the 2020/21 General Fund capital programme, arising from the additional funding of £7.4Million received from Hertfordshire Local Enterprise Partnership (LEP) and the Ministry of Housing, Communities & Local Government (MHCLG) as identified in paragraph 4.1.4, as these exceed the Executive's delegated limit. The net increase in 2020/21 expenditure is £6.4Million as summarised in table one, para 4.1.1.
- 2.2 That Executive approve the General Fund net increase (arising from slippage) of capital expenditure of £1.0Million in 2021/22, also as summarised in table one, para 4.1.1.

**3 BACKGROUND**

- 3.1 The 2020/21 General Fund capital programme was approved as part of the 2019/20 Outturn Report at the July Executive: £36.7Million.
- 3.2 The revised 2020/21 General Fund capital programme was approved at Quarter 1 at the September Executive: £35.3Million.

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

##### 4.1 2020/21 General Fund Capital Programme

4.1.1 The updated projected spend for 2020/21 General Fund capital programme (as detailed in Appendix A) is £41.7Million, a net increase of £6.4Million which is due to additional grants for Regeneration activity from the LEP and MHCLG, offset by slippage to 2021/22. The detail for all schemes is shown in table one:

<b>Table one: Changes to General Fund Capital Budget</b>		
<b>Capital Programme Change to 2020/21 Working Budget &amp; 2021/22 Projected Budget</b>	<b>Increase (Decrease) to 2020/21 Working Budget £</b>	<b>Increase (Decrease) to 2021/22 Projected Budget £</b>
<b>Slippage/Acceleration</b>		
Garages Programme	(1,095,300)	1,095,300
Waste and Recycling System	(19,000)	19,000
Kenilworth Housing Development - Community Centre	0	(162,218)
<b>Total Slippage</b>	<b>(1,114,300)</b>	<b>952,082</b>
<b>Virements Between Projects</b>		
Arts and Leisure Centre - Pipework	140,000	
SALC and the Swim Centre Urgent and H&S Works	(140,000)	
Infrastructure Investment – Core Information & Communications Technology (ICT) equipment for Remote Workers	125,000	
Deferred Works Reserve	(125,000)	
<b>Total Virements Between Projects</b>	<b>0</b>	<b>0</b>
<b>Increases/(Decreases) to 2020/21 Budget</b>		
Bus Interchange (LEP GD3)	3,224,410	
Town Centre Improvements (LEP GD3)	2,110,000	
Multi Storey Car Park (LEP GD3)	1,100,000	
Town Fund Delivery (MHCLG)	1,000,000	
<b>Grant/LEP funded increases</b>	<b>7,434,410</b>	
Town Square Improvements – North Block fit-out	120,000	
Daneshill House - Test & Risk Assessment Remedial Works	37,004	
Parks Pavilions	7,360	
Community Centres General	2,600	
Station Ramp	(13,000)	
Replace boiler at Bedwell CC	(60,000)	
<b>Other net increases</b>	<b>93,964</b>	
<b>Total Increases/(Decreases) to 2019/20 Budget</b>	<b>7,528,374</b>	<b>0</b>
<b>Total Change in Working Budget and Projected Budgets</b>	<b>6,414,074</b>	<b>952,082</b>

#### 4.1.2 **Slippage:**

- The Garage Programme delivery pipeline has been reviewed. Three schemes valued at approximately £300K in total are expected to be delivered by Christmas. A further £300K has been put forward for approval for delivery by Q4. In addition there is approximately £250K urgent expenditure needed for make safe structural work. The balance includes expenditure on drainage and hardstanding improvements. The remaining works will now fall into 2021/22 (£1.1Million slippage from the £2.2Million 2020/21 budget).
- Slippage of £19K has been identified for the Waste and Recycling System (Bartec). The delay in system implementation is as a result of Covid 19. The £19K contract costs associated with the implementation of the trade module will slip into next financial year.
- The Kenilworth Housing Development community centre has been re-phased to maximise delivery of housing first, in line with the most pressing need.

#### 4.1.3 **Virements between projects:**

- £140K of the budget for Stevenage Arts & Leisure Centre (SALC) and Swim Centre urgent works has been identified for the works on the Arts and Leisure Centre Pipework.
- £125K of the Deferred Works budget for 2021/22 has been identified to fund Core ICT Equipment for remote workers. This reflects an urgent need to ensure staff can continue to work and be productive, and for service resilience. This leaves £53K in the Deferred Works budget for other urgent work that may arise in 2020/21.

#### 4.1.4 **Increases in Expenditure:**

##### Grant/LEP funded increases of £7.4Million

- The additional funding of £1Million from the MHCLG Town Fund has now been received. This has been identified for use on the North Block fit-out.
- Budget increases are also identified due to additional allocations from Herts LEP Growth Deal 3 (GD3) funding of £2.1Million for Town Centre Improvements and £1.1Million towards costs for a new Multi Storey Car Park. A report is being taken to this Executive meeting regarding the Multi Storey Car Park and the capital strategy will be amended if needed following approvals of that report.
- The budget for the Bus Interchange has been increased to replace the lower 'contingency scenario' budget if funding was to be all provided by the Council. This LEP funding has previously been agreed by Council but was subject to conditions before confirmation and release of funds by the LEP. Discussions are taking place with the LEP to consider £1Million of the bus interchange funding slipping to 21/22 under 'freedoms and flexibilities', and a decision is awaited on this.

Other budget increases

- A further increase included in this report is £120K from the Town Square reserve to be spent on the North Block fit-out, alongside the £2.1 Million Town Centre Improvements.
- An increase of £37K for unforeseen electrical works required for the atrium at Daneshill House, to ensure safety and compliance.
- Plus minor increases of £10K for Parks Pavilions and Community Centres.

**4.1.5 Reductions in Expenditure:**

- From an original budget of £100K for a replacement boiler at Bedwell Community Centre, a more efficient solution has been found, which gives rise to a saving of £60K. It has been identified that parts replacement will be an adequate solution and that replacement of the system is not required.
- The works to the Station Ramp are complete, and there has been a saving of £13K against the original budget allocated to these works.

**4.1.6 Other Updates:**

- A report is scheduled to be taken to Executive to provide an update on the Housing Wholly Owned Company (WOC). The WOC budgets in Appendix A remain as per the original profile until this work is concluded.
- A report is also to be scheduled to Executive on the feasibility of accelerated delivery of the Public Sector Hub. To date, the profile included in the Capital Strategy for the Hub has matched the anticipated capital receipts profile. The expenditure and income profiles will be updated once further work has been undertaken on the development.

**4.2 Capital Resources General Fund**

4.2.1 Projected **Capital Receipts** from disposals for the current and future years have been reviewed. Slippage of one site disposal from 20/21 to 21/22 has been mitigated by additional minor land sales in 20/21, reducing the 20/21 variance to £36K. The revised forecast for Kenilworth Malvern Close Executive House is for half the receipts expected in 21/22 and the remainder have slipped to 2022/23. The impact of these timing changes can be seen in Appendix A. Forecast receipts have been adjusted accordingly and shown in table two:

<b>Table two: 2020/21 Disposal Schedule (General Fund)</b>	<b>Q1 Working Budget</b>	<b>Q2 Revised Position</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Total 20/21 Capital Receipts Estimate	3,832,657	3,796,239	<b>36,418</b>
Total 21/22 Capital Receipts Estimate	4,790,000	3,775,000	<b>1,015,000</b>
Total 22/23 Capital Receipts Estimate	3,651,840	4,683,840	<b>(1,032,000)</b>

Table two: 2020/21 Disposal Schedule (General Fund)	Q1 Working Budget	Q2 Revised Position	Variance
	£	£	£
Total 23/24 Capital Receipts Estimate	23,556,500	23,556,500	0
Total 24/25 Capital Receipts Estimate	13,384,000	13,384,000	0
<b>Major Capital Receipts Programme</b>	<b>49,214,997</b>	<b>49,152,579</b>	<b>19,418</b>

Note: ()= increase in receipts

4.2.2 To ease the revenue pressures arising from Covid, revenue contributions to capital have been replaced with forecast land sale receipts identified in the **Locality Review**. These receipts will also be used to replace the former New Homes Bonus (NHB) contribution to the Capital Reserve. The Locality Review Receipts are being identified separately in Appendix A.

4.2.3 **Capital Reserves** have also been revised in Appendix A to reflect the reduced contributions from revenue.

4.2.4 Appendix A has been updated to reflect no further **New Homes Bonus** (NHB) funding is expected beyond the current available resource, which has already been received and allocated for the Co-operative Neighbourhood Management (CNM) Programme as set out below in table three:

Table three: New Homes Bonus Update				
NHB balance available	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	remaining
	£	£	£	£
Capital CNM				
Town Centre Improvements	£152,554	£152,554		£0
Electric Car charging points	£15,000	£15,000		£0
Playground refurbishment	£291,467		£243,000	£48,467
Bin replacement	£115,560		£99,000	£16,560
<b>Total</b>	<b>£574,581</b>	<b>£167,554</b>	<b>£342,000</b>	<b>£65,027</b>

4.2.5 The current capital strategy includes the use of Section 106 (**S106**) monies that have been earmarked to support current and future capital schemes. An update on the balances available for 2020/21 onwards are set out in table four:

Table four: S106 Update				
Available for financing	£	2020/21 Forecast	Budgeted in Future Years	remaining
		£	£	£
Affordable Housing	£62,091	£0	£62,091	£0

Table four: S106 Update				
Available for financing	£	2020/21 Forecast	Budgeted in Future Years	remaining
		£	£	£
Children's Playspace / open space	£9,773	£9,773	£0	£0
Community / Greenspace / Ecological Infrastructure	£70,338		£70,338	£0
Parking / Transport	£154,960			£154,960
Gardening Club	£4,576			£4,576
Arboretum	£25,420	£25,420		£0
Pedestrian Link	£35,000			£35,000
Household Surveys	£15,990			£15,990
<b>Total</b>	<b>£378,147</b>	<b>£35,193</b>	<b>£132,429</b>	<b>£210,525</b>

4.2.6 S106 monies are normally ring fenced to the immediate surroundings of the development site and cannot be used for the wider capital programme. In April 2020 the new **Community Infrastructure Levy (CIL)** was introduced. To date no monies have been received under this scheme but sums are expected later in the year. The levy can be used to fund a very broad range of facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities and will give greater flexibility to fund capital schemes.

4.2.7 **Prudential borrowing** that is required to support the Capital programme will be a treasury management decision as to when the external borrowing is actually taken. While cash balances are high internal borrowing will be used.

## 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 Equality and Diversity Implications

5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund 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.

5.3.2 Schemes contained within the capital programme will have an EQIA particularly those relating to housing schemes.

## **5.4 Risk Implications**

- 5.4.1 The significant risks associated with the capital strategy are largely inherent within this report.
- 5.4.2 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, and these schemes are monitored by Assets and Capital Board.
- 5.4.3 There is a risk in achieving the level of qualifying spend, including Grants to Registered Providers, to fully utilise retained one for one receipts. Should qualifying schemes slip or new schemes fail to be developed the three year deadline for spending these receipts will not be met and will have to be returned to the Government plus interest (base rate plus 4%). Should the new schemes and/or purchases slip or fail to be delivered there is a risk that one for one receipt will have to be returned and interest payments made.
- 5.4.4 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 at estimated dates. 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.
- 5.4.5 There is considerable uncertainty about the potential for the Council to receive further government funding. The position regarding COVID losses and the cost of recovery is also uncertain at this time as we begin the second national lockdown. The Council must keep Strategy in place under review, to address the financial impacts due the likely level of losses and the increased certainty that income levels are going to be challenging to achieve for some time to come. This would have an impact on the Capital Programme as well as the Council's revenue budgets.
- 5.4.6 There are risks around achieving the level of Locality Review Receipts budgeted for, which are required to replace NHB funding and contributions from Revenue underspends.

## **5.5 Climate Change Implications**

- 5.5.1 The Council's buildings across the town do not meet the climate change agenda in terms of energy efficiency or divestment of use of fossil fuels and in their current condition they would undermine the Council's attempt to be carbon zero by 2030.
- 5.5.2 However, there is an opportunity with the local asset review agenda to have design principles built into renewed assets in terms of energy efficiency and sustainable energy sources. This should be a core principle of any future

designs arising from the local asset reviews. There would be a further benefit of reduced energy costs.

- 5.5.3 The climate change agenda is far wider than just the buildings the Council uses, the Council are also examining the vehicle fleet the Council uses and consideration will be given to reducing the carbon impact of the fleet moving forward.

**BACKGROUND DOCUMENTS** BD1 - Capital Strategy February 2020 (Council)  
BD2 - Capital Strategy March 2020 (Executive)  
BD3 – Capital Outturn July 2020 (Executive)

**APPENDIX** A - General Fund Capital Programme