Part 1 –
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Stevenage
BOROUGH COUNCIL

Meeting: **EXECUTIVE**

Portfolio Area: Resources

Financial security

Date: **13 MARCH 2018**

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 2017/18 and 2018/19 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 2017/18 General Fund capital programme net decrease in expenditure of £269,030 be approved as summarised in paragraph 4.1.1.

2.2 That a virement from the deferred works Budget of £20,000 to Town Centre Toilet refurbishment works be approved.

2.3 That the 2017/18 Housing Revenue Account capital programme remains unchanged.

2.4 That the 2018/19 General Fund increase in capital expenditure of £57,500 (slippage from 2017/18) be approved, as summarised in table one and para 4.5.1.

3. BACKGROUND

3.1 The 2017/18 updated capital programme was approved at Council on 28 February 2018 as part of the capital strategy for the period 2017/18 – 2022/23. The 2017/18 programme totals for each fund were;

- General Fund £20,932,190
- Housing Revenue Account £17,525,250

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2017/18 General Fund Capital Programme

4.1.1 The 2017/18 General Fund capital programme (detailed in backing document BD1) is projected to reduce by £269,030 due to:

- £145,000 scheme costs re-profiled to 2018/19
- and £124,030 net reduction in scheme costs/ scheme withdrawn.

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 £	Reason
Working Budget	**20,932,190**	**21,707,910**	
Slippage identified at 3rd Quarter			
Electrical works to Daneshill House	(17,000)	17,000	Slippage. Project funds committed but completion and final invoicing will be in 2018-19
Community Centres	(32,000)	32,000	
Indoor market toilet refurbishment	(23,000)	23,000	
Corey's Mill additional car parking capacity	(24,000)	24,000	
Arts and Leisure centre	(49,000)	49,000	
	(145,000)	**145,000**	
Net reductions in budget			
Town Centre toilet refurbishment works	20,000		Urgent works to improve poor condition of toilets
Deferred works budget	(20,000)		Requested funding for above
Park Pavilions	(12,000)		Works completed under budget
Fairlands Valley Farmhouse	(53,280)		Budget removed pending decision on future use
Energy conservation schemes (buildings to be included in SG1 redevelopment)	(38,260)		Works not required as buildings subject to regeneration
Housing Renovation grants	(18,000)		No applications pending

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 £	Reason
Other minor changes to final costs of scheme	(2,490)		
Oval Re-roofing		(87,500)	Completed 2017/18. 2018-19 budget not required
	(124,030)	**(87,500)**	
Total General Fund Changes Q3	**(269,030)**	**57,500**	
Revised Budget Q3	**20,663,160**	**21,765,410**	

4.1.2 **Slippage:**
Orders have been placed to complete a number schemes but it is unlikely that contractors will complete the works by the end of the financial year. As such these costs will be accounted for in the next financial year and budgets are requested to be slippage to meet the contractual obligations (£145,000).

4.1.3 **Reductions in Expenditure**:
The revised capital programme has identified a net reduction of £124,030 of existing schemes. Included within this sum is £53,280 relating to Fairlands Valley farm house. This scheme has been removed from the capital programme until the future use of this site is known.

4.1.4 **Virements from the Deferred Works Budget:**
Refurbishment works to the town centre public toilets have been identified and it is requested that a virement of £20,000 from the deferred works budget is made to facilitate these works.

4.1.5 **Commercial Property Portfolio**:
Members approved £15million investment in a commercial property portfolio to support the Financial Security work stream. A second site is in final negotiation stage with exchange of contracts due in March.

4.2 **2017/18 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 28/2/2018). No further changes have been identified in the March update (as detailed in backing document BD2).

4.2.2 **Other Updates**: As mentioned in the 2nd quarter review, two major contracts had been let for 2017/18 for external works and internal decent homes works. Initial delays in mobilisation of these contracts required works to be rescheduled to the 3rd and 4th quarters of 2017/18. Although officers consider the delivery of the programme is still achievable and no slippage has been identified, there continues to be risks in delivering the planned works. For example should there be a delay in the programme of one month it would result in slippage of approximately £800,000, with works re-profiled for delivery in 2018/19.

4.3 **Capital Resources General Fund**

4.3.1 Projected capital receipts for the current year have been reviewed with capital receipts projected to be £1.012Million, a reduction of £111,500 to that forecast in the February capital strategy. The 2018/19 in year receipts will increase by £150,000.

Site disposal	Estimated value
Land adjacent to Jessops Road – sale completion expected in 2018/19	£150,000
Land at Bedwell Cresent (small site disposal)	(£35,000)
Total identified changes to General Fund capital receipts	**£111,500**

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 external borrowing is actually taken. Officers will consider the forecast cash flows (as reported in the quarterly revenue budget report presented to this Executive) and the forecast interest rate rises when deciding on the optimal time to take external borrowing.

4.4 **Capital Resources Housing Revenue Account**

4.4.1 The HRA had 27 right to buy (RTB) sales to the end of the 3rd quarter,(one of which is exempt from pooling). As at 15 February 34 RTB sales had been completed, one of which is exempt from pooling, and the projection for the full year is estimated 38 RTBs. Average sale prices and average discount given is shown in the following chart.

Part 1 –
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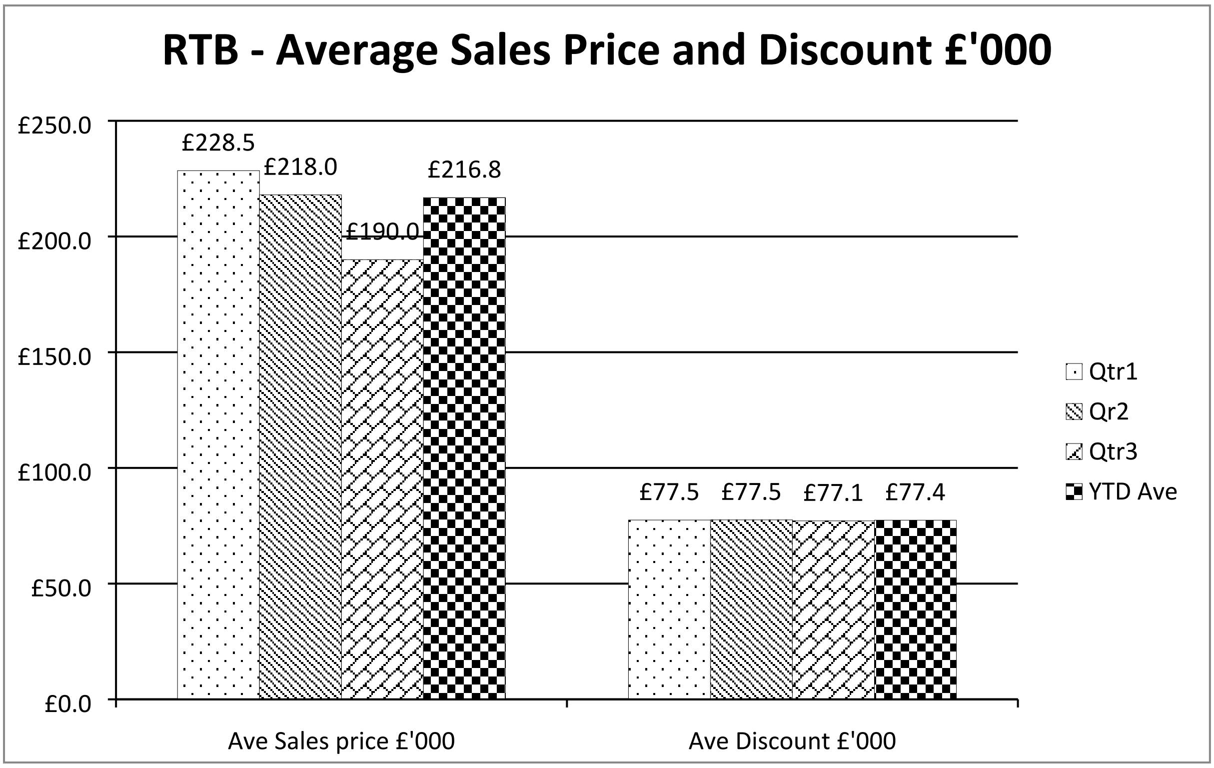
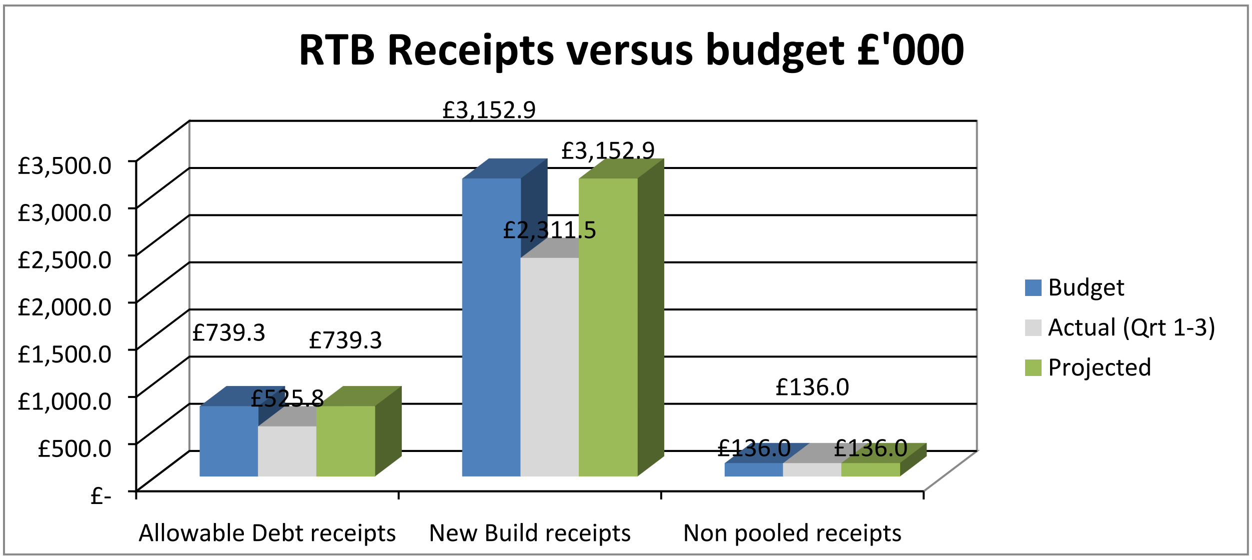


4.4.2 The projected RTB receipts are in line with the projections included in the Capital Strategy to the February Executive as shown in the chart below.



4.5 **2018/19 capital programme for General Fund and HRA schemes**

4.5.1 Slippage of General Fund schemes to 2018/19 has been incorporated into this report (para 4.1.2). In addition the roofing scheme at the Oval has been completed and the 2018/19 budget allocation is no longer required (£87,500). There are changes to the 2018/19 General Fund programme of £57,500.

4.5.2 No further changes have been identified for the HRA 2018/19 programme.

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 EqIAs.

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 1for1 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.

5.4.3 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.

Part 1 –
Release to Press

BACKGROUND PAPERS

BD1 – General Fund Capital Strategy
BD2 – Housing Revenue Account Capital Strategy
BD3 - Capital Strategy 2017/18 – 2022/23 – Council 28 February 2018
http://www.stevenage.gov.uk/content/committees/182083/182095/182099/Council-28-Feb-2018-Item5B.pdf