

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 SEPTEMBER 2016
REPORT OF THE DIRECTOR (FINANCE AND OPERATIONS)

CAPITAL BUDGET MONITORING AT 30TH JUNE 2016 (PERIOD 03)

1 Executive Summary

- 1.1 To provide information on capital budgets, spending, receipts, and forecasts.
- 1.2 The current approved expenditure budget at period 03 is £47.321M with spend to date of £5.060M and commitments of £6.411M. The current forecast outturn is £47.321M. (See table 8.1 for breakdown of expenditure, receipts and reserves).

2 Recommendation(s)

- 2.1 note the overall position on capital spending, funding and reserves.
- 2.2 note the latest current budget to date £47.321M.
- 2.3 note the forecast outturn (details in paragraph 8.4)
- 2.4 note the Prudential Indicators.

3 Explanation

The summarised capital expenditure position is shown in Table 1 and a detailed breakdown by capital scheme per directorate can be found in Appendix A. The current budget has increased from the original budget owing to the roll forward of previous years budgets into 2016/17.

A forecast capital receipts and reserves position can be found in Table 2.

Table 1: Capital Expenditure Budgets by Head of Service as at period 03

Description	Original Budget 2016/17	Approved Roll Forwards from 15/16	Current Budget 2016/17	Actual to Date	% spent & committed of Forecast Outturn	Forecast Outturn 2016/17	Variance to Forecast Outturn to Current Budget
	£	£	£	£		£	£
Head of Resources	1,714,500	3,940,060	5,654,560	2,201,175	39%	5,654,560	0
Head of Environment	1,453,000	59,530	1,512,530	81,770	5%	1,512,530	0
Director (Finance and Operations)	3,167,500	3,999,590	7,167,090	2,282,945	32%	7,167,090	0
Head of Planning	0	322,130	322,130	19,941	6%	322,130	0
Head of Policy and Culture	1,214,715	378,620	1,636,335	110,501	7%	1,636,335	0
Head of Housing and Community	25,589,300	12,541,320	38,195,620	9,057,686	24%	38,195,620	0
Director (Strategy and Development)	26,804,015	13,242,070	40,154,085	9,188,128	23%	40,154,085	0
TOTAL	29,971,515	17,241,660	47,321,175	11,471,073	24%	47,321,175	0

3.1 Actual in year expenditure to date:

Listed below are the largest capital schemes in year

3.1.1 Hatfield Town Centre - Current Budget £3.118M.

The areas of spend for this year is on phase two of the redevelopment. This includes spend on final costs for the arcade canopy works, associated fees, flat refurbishments at White Lion House, acquisition of 17c HTC, redevelopment of 1 and 3-9, and the creation of new residential units 20a and 22a.

Total in year expenditure and commitment to date is £1.135M.

There is an Internal borrowing requirement of £2.220M in 2016/17 to fund acquisitions and redevelopment of units.

There is approximately 1 more year to run on the Hatfield Town Centre schemes.

3.1.2 Bereavement Services - Current Budget £1.000M

This is for the design and development to a point of planning of the reallocation of the existing buildings at the Lawn Cemetery which will include a crematorium. The amount will be spent periodically throughout the year for different project stages.

Two contractors have been procured for this project, and this project is currently on track to submit a planning application in Summer 2016. There is no spend to date.

3.1.3 **Development of Splashlands Site** - Current Budget £0.981M

This scheme is for the redevelopment of the former Splashlands site in Stanborough Park. Consultants are preparing a Business Case and Cost Plan for consideration by the Splashlands Project Board over the summer months ahead of a decision on Phase 2 of this project. There is only a small amount spent to date on fees.

3.1.4 **Affordable Housing Programme** - Current Budget is £22.795M

£6.487M has been spent and committed to date.

Cabinet agreed on 7 August 2012 for the council to enter into agreement, as proposed by the Secretary of State for Communities and Local Government, to allow the council to retain receipts from the reinvigorated Right to Buy (RTB) sales and to reinvest the allowed receipts in delivery of new affordable homes. These receipts need to be spent within three years of receipt. Ring fenced reserves for this scheme at the beginning of the year were £23.164M. In year receipts are forecasting to be £7.712M plus HRA contribution of £3.700M.

3.1.5 **Disabled Facility/Decent Homes Grants** - Current Budget £0.471M + Decent Homes budget £0.114M

£0.143M of the previous year budget was rolled forward and £0.132M has now been spent/committed. Spend and commitments to date for 2016/17 are £0.071M.

Spend is also taking place against the Decent Homes Private Sector scheme budget of £0.114M. Spend and commitments to date are £0.014M. The budget is ring fenced for use to undertake work which improves housing standards in the private sector. Cabinet have approved a scheme which ensures this money will be targeted for use by owner occupiers within the most deprived areas of the Borough. Part of the funding will also be used to increase the uptake of boiler replacements via the Herts and Essex Energy Partnership.

3.1.6 **Major Repairs Allowance funded schemes**- Current Budget is £13.430M

The Housing MRA funded schemes include recharges of £345,000 and excludes the Electronic Document Management scheme of £150,000 and the Orchard Mobile working scheme £130,000 which will be HRA funded.

Actual expenditure and commitments for the MRA funded schemes total £2.097M to date. Of this expenditure £1.110M relates to the Mears contract. The Mears contract has a budget of £8.029M and is used for improvements required to the housing stock including replacement kitchens, bathrooms, electrical and asbestos works. The full program of works is underway according to the agreed business plan and it is expected that the budget will be spent.

3.2 General Fund Receipts

In year receipts are expected to be £16.548M. Capital receipts include Grants, Contributions, Principal capital loan payments, asset disposals, council house sales (including receipts to fund the affordable housing programme), and internal borrowing. Actual receipts received to date are £3.148M.

Internal borrowing required is £3.398M (£2.220M for Hatfield Town Centre redevelopments + £1.178M for Bereavement Services and Campus East Council Chamber).

3.3 Housing Schemes (MRA funded)

Major Repairs Allowance receipts are received at the end of the financial year. We are expecting to receive £11.227M in year.

Expenditure on Major Repairs Allowance funded schemes in year is expected to be £13.539M. This excludes two schemes totalling £0.280M which are funded by the housing revenue account. The main contract for housing repairs is with MEARS with a budget of £8.029M in year.

3.4 Developers Contributions – S106

The council holds capital monies received for external developers towards the funding of specific capital schemes. In 2016/17 we have £0.030M for Hatfield aerodrome frontier, and £0.350M for Sir Frederic Osborn School. A further £0.059M will be transferred into capital receipts bringing the total receipts for Sir Frederic Osborn School reserve to £0.409M. The receipts are included in the capital funding as ear marked reserves. There have been three schemes identified in the capital programme: £0.220M Welwyn Football Club development of all weather pitches, £0.050M Stanborough Netball improvements and £0.015M Welwyn Rugby Club improvements.

3.5 Capital Funding and Reserves – Forecast Outturn

Table 2: Capital Reserves and Funding forecast at year end.

	Usable Capital Receipts £000	Major Repairs Reserve £000	Affordable Housing Funds £000	Capital Grants Unapplied £000	Total Movement on Capital Reserves £000	** Spend Funded by Internal Borrowing £000
Opening Balance 1st April 2016	9,183	3,469	23,164	707	36,523	(10,626)
RTB receipts (including Attributable Debt)	-	-	7,712	-	7,712	-
Revenue Contribution to Capital	-	-	3,700	-	3,700	-
Other receipts	1,318	11,227	-	-	12,545	-
Grants	-	-	-	592	592	-
Capital expenditure	(6,078)	(13,539)	(22,795)	(1,051)	(43,463)	(3,858)
Closing Balance 31st March 2016	4,423	1,157	11,781	248	17,609	(14,484)

*Capital Forecast Expenditure: Total Spend Funded by Receipts and Grants plus Spend Funded by Internal Borrowing = £47.321M.

** This expenditure is being financed through minimum revenue provision charges.

- 3.5.1 Of the £47.321M forecast outturn expenditure, £43.463M will be funded from capital reserves and £3.858M from internal borrowing.
- 3.5.2 Capital reserves (General Fund and Housing) are forecast to move from an opening position of £36.523M to a closing forecast position of £17.610M.
- 3.5.3 The opening balance is approximately £8M higher than originally budgeted. This is mainly owing to funding from last year being rolled forward to be spent on re profiled/rolled forward schemes in 2016/17.
- 3.5.4 In year receipts are forecast to increase on the original budget by £2.410M. This is mainly owing to the r/fwd of funding for the Hatfield Town Centre Redevelopment schemes, additional funding for Disabled Facilities Grants and the early payment of the Gosling Loan.
- 3.5.5 Forecast in year internal borrowing = £3.858M. This is made up of £2.220M for Hatfield Town Centre redevelopments, £1.0M for Bereavement Services,

£0.178M Campus East Council Chamber and £0.460M r/fwd funding of Campus East Offices and Council chamber.

3.6 Prudential Indicators

Monitoring for the Prudential Indicators. The indicators are as follows:

- 3.6.1 Capital Expenditure. This indicator represents the total capital expenditure for the authority. The 2016/17 forecast outturn is £47.321M. The capital budget expenditure programme is currently set to spend an average of £21M each year for the next four years.
- 3.6.2 Capital Financing Requirement. This indicator reflects the authorities underlying need to borrow to fund its capital programme. The 2016/17 CFR is calculated using the information from the 2015/16 Statement of Accounts. Calculations exclude Finance Leases and Loan Principal Repayments. The housing CFR includes the self financing loan of £305M (March 2012) and voluntary debt payments. Based on the capital expenditure forecast outturn, the Councils CFR indicator is budgeted at General fund = £28.608M + HRA = £249.344M). Included is the requirement of internal borrowing.
- 3.6.3 Authorised Limits and Operational Boundaries. The authorised limit indicator provides a maximum limit that the authority can borrow at any one time. It identifies external borrowing and long term liabilities. For 2016/17 the council's total authorised limit is £315M. (Borrowing limit of £8M + Long term liabilities/finance leases and loans of £2.1M + housing self financing loan of £305M). The operational boundary indicator is lower than the authorised limit as it is set to reflect the most likely borrowing requirement of the authority. For 2016/17 this is £274M (Borrowing boundary of £6M + other long term liabilities of £2.1M + housing self financing loan of £265M).
- 3.6.4 Affordability Ratios. The ratio of financing costs to net revenue stream is an indicator that measures the percentage of the councils income that will be committed to meet the costs of borrowing to fund the capital programme. For 2016/17 we have an estimated general fund percentage of 1.59, and for housing 38.08. The ratio reflects a reduction in our investment income (generally owing to reduced interest rates). The percentage in the outer years is predicting increased interest rates and/or a reduction in capital spending. HRA from 2012/13 onwards includes self financing debt repayments.
- 3.6.5 The Incremental Impact of Capital Investment indicator measures the impact on council tax and housing rents which would arise from changes to the councils capital budget programme. For 2016/17 the indicator is at £1.93 for band D council tax. Investment income has increased which has helped to offset the impact of capital investment decisions on the council tax budget.
- 3.6.6 Gross debt and the capital financing requirement. This indicator records the extent that gross debt is below the CFR. This ensures that over medium term that the debt is only used for capital purposes. For 2016/17 our indicator is below the CFR and remains so into outer years.

HRA limit on indebtedness. This indicator shows the HRA debt limit at the start of the year (£305M) and the CFR shows the expected debt at the end of the year (£249M).

3.6.7 Prudential indicator outturns for the previous year and budgets for 2016/17 to 2020/21 are set in the 2016/17 Budget Book.

3.7 Equality and Diversity

Equality Impact Assessments (EIA) will be carried out in connection with the projects that are set out in the capital programme, and as part of the detail reports to be presented by scheme managers.

Implications

4 Legal Implication(s)

4.1 There are no direct legal implications arising from this report. However, the individual projects will require legal input into procurement and contractual documentation.

5 Financial Implication(s)

5.1 Financial risks associated with the capital budgets are contained in this report.

6 Risk Management Implications

6.1 The risks related to this proposal are:

6.1.1 Receipts are not received in the expected year and at the expected amount. If this occurs the implications on reserve levels need to be assessed along with whether alternative funding needs to be sought, this may have a cost to the Council.

6.1.2 The capital programme does not fully spend the expected amount. This has an opportunity cost to the Council. If we have planned to finance from receipts and there has been slippage against the programme, the receipts could have financed other programmes. The implication of the funding not being utilised may mean unnecessary costs are incurred in the delay.

6.1.3 Long term investment plans are based on anticipated levels of core cash, not committed to revenue or capital expenditure. Delays in capital programme spending therefore represent a lost opportunity to invest additional funds at higher long term interest rates.

6.1.4 The capital programme spending is more than the expected amount. This will have implications on the cash and planning of the organisation. Additional sources of funding will have to be identified and there may be a cost to the Council.

- 6.2 Regular monitoring and reporting of the capital budget and funding are an important part of mitigating these risks.
- 6.3 A formal risk assessment has not been prepared in relation to the details in this report.

7 Security and Terrorism Implication(s)

- 7.1 None

8 Procurement Implication(s)

- 8.1 None

9 Climate Change Implication(s)

- 9.1 None

10 Link to Corporate Priorities

- 10.1 The subject of this report is linked to the Council's Corporate Priority "Engage with communities and provide value for money", and specifically to the achievement of "Demonstrate Value for Money".

11 Equality and Diversity

- 11.1 An Equality Impact Assessment (EIA) has/ has not been carried out in connection with the proposals that are set out in this report (please complete section 9.2 only if an EIA has been completed).

Name of author	Pam Kettle 01707 357275
Title	Director of Finance and Operations
Date	15th July 2016

Background papers to be listed (if applicable)

Appendices to be listed:

Appendix A - Capital Expenditure Monitoring per Scheme