Part I
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All Wards

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 6 JUNE 2017
REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND CULTURAL SERVICES)

2016/17 CAPITAL OUTTURN & FUNDING POSITION

1 Executive Summary

1.1 This report is to provide members with information on the capital expenditure outturn, the funding details for capital spending and the year-end capital funds position for the financial year 2016/17.

1.2 In summary the budget and outturn expenditure position is as follows:

Capital Expenditure	Original Budget 2016/17	Current Budget 2016/17	Outturn 2016/17
	£000	**£000**	**£000**
General Fund Schemes	18,652	23,632	23,202
Housing (MRA funded) *	11,320	11,113	10,035
TOTAL	**29,972**	**34,745**	**33,237**

*Housing (MRA funded) includes MEARS contract, Housing recharges, other MRA funded schemes and spend in connection with Queensway House. The Affordable Housing Programme is included in General Fund expenditure.

The current budget includes all adjustments for re profiled budgets approved by Cabinet.

1.3 The following appendices attached to this report provide more detailed information:

Appendix A – Detail of Capital expenditure by scheme

Appendix B – Prudential Indicators

2 Recommendation(s)

2.1 Cabinet are asked to note the capital expenditure outturn for 2016/17 of £33.237M.

2.2 Cabinet are asked to approve the funding of capital expenditure for 2016/17 as set out in paragraph 3.4 of the report.

3 Explanation

3.1 This section of the report considers separately General Fund Schemes, Housing Schemes and funding. All schemes are set against the council's priorities and objectives reflected in the Business Plan and Medium Term Financial Strategy.

The General Fund outturn for 2016/17 was £23.202M and compares to a current budget of £23.632M. This is an under spend of £0.430M and primarily relates to re profiling of expenditure on Hatfield Town Centre acquisitions and redevelopment costs offset by higher costs spent in year on the Affordable Housing Programme.

3.2 Major Capital Schemes in year

3.2.1 Affordable Housing Programme: £14.449M was spent on the purchase of affordable housing properties in line with the Affordable Housing Scheme. 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.

3.2.2 Hatfield Town Centre Redevelopment: £5.620M has been spent on various projects within the town centre in 2016/17. These include town centre regeneration costs and ongoing associated fees, the refurbishment of town centre flats and the purchase of Culpitt House. Hatfield Town Centre redevelopment schemes are continuing over the next two years with a budget of £1.6M for further refurbishments and public realm works.

3.2.3 Housing (Major Repairs Account)

The current budget is £11.113M and the outturn is £10.035M.

The main under spend of £0.965M is on the MEARS contract. This is in addition to the £0.950M already re profiled into 2017/18.

Major repairs are fully funded from the Major Repairs Allowance.

3.4 Capital Funding and Reserves

This section shows the opening balances of capital funds available at 1 April 2016 to fund capital spend and also the funding applied to spending. Opening balances totalled £36.523M. Usable Capital Receipts balances include the S106 Developers Contributions of £0.380M.

	Usable Capital Receipts £000	**Major Repairs Reserve £000**	**Affordable Housing Funds £000**	**Capital Grants Unapplied £000**	**Total Spend Funded by Receipts & Grants £000**	**Spend Funded by Internal Borrowing £000**
Opening Balance 1st April 2016	**8,803**	**3,469**	**23,164**	**1,087**	**36,523**	**(10,626)**
RTB receipts	2,913	-	11,119	-	14,032	-
Payment to Government re Pooled Receipts	-	-	(1,441)	-	(1,441)	-
Other receipts	1,268	11,227	3,700	-	16,195	-
Grants	-	-	-	1,651	1,651	-
Capital expenditure *	(2,442)	(10,035)	(14,448)	(877)	(27,802)	(5,435**)**
Closing Balance 31st March 2017	**10,542**	**4,661**	**22,094**	**1,861**	**39,158**	**(16,061)**

Capital Expenditure: Total Spend Funded by Receipts & Grants plus Spend Funded by Internal Borrowing = £33.237M.

3.4.1 During the year the council received £30.438M capital receipts (net of pooling). £9.678M ring fenced housing receipts to support the Affordable Housing Scheme, and £1.651 received from government grants. The Major Repairs Reserve is ring fenced to Housing Landlord Schemes only and in 2016/17 the major repairs allowance was £11.227M. Other receipts include General Fund Capital loan repayments/Contributions, Revenue contributions to capital and Disposals.

4 Legal Implication(s)

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

5 Financial Implications

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

6 Risk Management

6.1 Financial risks associated with the capital programme 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 & 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).

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Date	8th May 2017

Background papers
Capital Budget Roll Forward report 2017/18 - April 2017 Cabinet.