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Part I
Item No:
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Executive Member: Cllr Alan Franey
Ward: All

**WELWYN HATFIELD BOROUGH COUNCIL
CABINET 2ND FEBRUARY 2016
REPORT OF THE DIRECTOR (FINANCE AND OPERATIONS)**

CAPITAL BUDGET MONITORING AT 31ST DECEMBER 2015 (PERIOD 09)

1 Executive Summary

- 1.1 To provide information on capital budgets, spending, receipts, and forecasts.
- 1.2 The current approved expenditure budget at period 9 is £40.853M with spend to date of £14.269M and commitments of £3.361M. The current forecast outturn is £29.826M. (See table 8.1 for breakdown of expenditure, receipts and reserves.).

2 Recommendations for Cabinet:

- 2.1 note the overall position on capital spending, funding and reserves.
- 2.2 note the latest current budget to date £40.853M.
- 2.3 note the forecast outturn (details in paragraph 8.4)
- 2.4 note the Prudential Indicators.

Implications

3 Financial Implications

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

4 Link to Corporate Priorities

- 4.1 I confirm that the subject of this report is linked to the Council's Corporate Priority "Engage with communities and provide value for money". Individual capital schemes are also linked to the Council's corporate priorities.

5 Legal Implication(s)

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

6 Climate Change Implication(s)

- 6.1 There are no climate change implications inherent in this report.

7 Risk Management

- 7.1 Financial risks associated with the capital programme are:
- 7.1.1 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.
 - 7.1.2 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.
 - 7.1.3 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.
 - 7.1.4 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.
- 7.2 Regular monitoring and reporting of the capital budget and funding are an important part of mitigating these risks.
- 7.3 A formal risk assessment has not been prepared in relation to the details in this report.

8 Capital Expenditure

- 8.1 The 2015/16 capital expenditure forecast is £2.513M lower than the original budget. This mainly reflects the expected roll forwards at this time of capital schemes into 2016/17.
- 8.2 The summarised capital expenditure position is shown in Table 1 below and a detailed breakdown by capital scheme per directorate can be found in Appendix A. The current budget in both tables has been increased due to the roll forward of budgets into 2015/16 approved by Cabinet in July 2015, and reduced by the re profiled budgets into 2016/17.

Table 1: Capital Expenditure Budgets by Head of Service as at period 9

Description	Original Budget 2015/16	Approved Roll Forwards from 14/15	Current Budget 2015/16	Actual to Date	% of Forecast Outturn Spent	Forecast Outturn 2015/16	Variance Forecast to Current Budget
	£	£	£	£		£	£
Head of Public Health and Protection	0	30,650	20,650	0	0%	20,650	0
Director (Governance)	0	30,650	20,650	0	0%	20,650	0
Head of Resources	3,866,000	3,295,740	8,725,780	4,792,779	88%	5,453,700	3,272,080
Head of Environment	295,000	330,300	625,300	356,999	68%	526,840	98,460
Director (Finance and Operations)	4,161,000	3,626,040	9,351,080	5,149,778	86%	5,980,540	3,370,540
Head of Planning	350,000	56,250	406,250	81,756	43%	190,000	216,250
Head of Policy and Culture	2,035,340	37,430	490,820	95,874	45%	212,200	278,620
Head of Housing and Community	25,792,970	4,057,890	30,584,060	12,302,579	53%	23,422,860	7,161,200
Director (Strategy and Development)	28,178,310	4,151,570	31,481,130	12,480,209	52%	23,825,060	7,656,070
TOTAL	32,339,310	7,808,260	40,852,860	17,629,987	59%	29,826,250	11,026,661

8.3 Actual in year expenditure to date:

8.3.1 Listed below are the largest capital schemes:

8.3.2 Hatfield Town Centre - Current Budget £3.918M.

The main area of spend this year will be on phase two of the redevelopment. Phase two includes spend on improvements to The Commons car park, Arcade canopy works, associated fees and the flat refurbishments at White Lion House. Total expenditure is currently forecasting an outturn of £2.087M with the remaining budget to r/fwd into 2016/17.

There is an Internal borrowing requirement of £1.945M (£0.945M Purchase of properties + £1M White Lion House refurbishment of flats) of which an estimated £1.546M will be r/fwd into 2016/17.

£1.572M has been spent and committed to date across the Hatfield Town Centre schemes in this year. There are approximately 2 more years to run on the Hatfield Town Centre schemes.

8.3.3 Campus East Offices - Current Budget £2.385M

There was a business need to extend into the two existing courtyards at the rear of the Campus East building. There are a number of key advantages by unifying its services under one roof at Campus East and this would allow Campus West to be primarily used to deliver our leisure services. The scheme started in 2012/13 and has spent £2.773M + central recharges in total prior to the current

financial year. The scheme is near completion and the 2015/16 budget is for final works on the extension/reception and works on the council chamber.

We are currently forecasting to spend £2.009M in year with the remaining budget expected to r/fwd into 2016/17. £1.271M has been spent to date on the scheme this year with commitments at this time of £0.778M.

8.3.4 Development of Splashlands Site - Current Budget £0M

This scheme is for the redevelopment in two phases of the former Splashlands site in Stanborough Park. Phase One has been delivered but Phase Two is currently on hold. The remaining budget of £1.585m has been re-profiled into 2016/17 in addition to a budget of £0.376m.

8.3.5 Affordable Housing Programme - Current Budget is £15.539M

£4.780M has been spent and committed to date with a forecast outturn position expected to be £10.200M.

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 £21.380M with an anticipated transfer to useable capital receipts of £4M. In year receipts are expected to be £7.533M plus HRA contribution of £4.9M.

8.3.6 Disabled Facility/Decent Homes Grants - Current Budget £0.492M + £0.128M

£0.152M of the budget was rolled forward from 14/15, of which £0.131M has been spent or committed. The current budget for 15/16 loans and additional mandatory grants has been reduced in year to £0.492M owing to less claims received. Spend and commitments to date are £0.160M and a forecast spend position of £0.462M.

Spend is also taking place against the Decent Homes Private Sector scheme. Budget of £0.128M and spend and commitments to date are £0.014M. The forecast outturn has been reduced to £0.028M to reflect less schemes identified this year. 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.

8.3.7 Major Repairs Allowance funded schemes:

The Housing MRA funded scheme current budget is £13.045M including recharges and excluding the Electronic Document Management scheme of £150k and the Orchard Mobile working scheme £130k which will be HRA funded. MRA schemes are forecast to spend £11.567M in year with the remaining budget to r/fwd into 2016/17. Actual expenditure and commitments for the MRA funded schemes total £6.864MM. Of this expenditure £3.905M relates to the Mears contract.

The Mears contract has a budget of £8.042M in 15/16 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. The 15/16 programme includes a one off project at Woodhall which is to commence later this year.

8.4 Forecast Outturn:

8.4.1 General Fund Schemes

8.4.2 Receipts: In year internal borrowing is forecasted to reduce owing to capital schemes expecting to roll forward into 2016/17.

Expenditure: There is a reduction in forecast expenditure owing to £9.398M of capital schemes expecting to roll forward into 2016/17.

8.4.4 Housing Schemes (MRA funded)

8.4.5 Receipts: No changes.

Expenditure: There is a reduction in expenditure of £1.628M owing to some schemes expecting to roll forward into 2016/17.

9 Developers Contributions – S106

9.1 The council holds capital monies received for external developers towards the funding of specific capital schemes. In 2015/16 we have £0.030M for Hatfield aerodrome frontier, and £0.350M for Sir Frederic Osborn School. The receipts are included in the capital funding as ear marked reserves. There has been one scheme identified in the capital programme for £0.220M Welwyn Football Club – Hens Way - development of all weather pitches.

10 Capital Funding and Reserves – Forecast Outturn

Table 2: Capital Reserves & Funding forecast at year end

	Usable Capital Receipts £000	Major Repairs Reserve £000	Affordable Housing Funds £000	Capital Grants Unapplied £000	Total funded from Reserves £000	Internal Borrowing £000
Opening Balance 1st April 2015	14,528	3,694	17,414	845	36,481	8,205
Income Receivable						
RTB receipts	541	0	6,497	0	7,038	
Other receipts	3,039	10,953	5,030	0	19,022	
Grants	0	0	0	662	662	
Less Capital expenditure	4,401	11,918	10,200	984	27,503	2,323
Closing Balance 31st March 2016	13,707	2,729	18,741	523	35,700	10,528

10.1 Of the £29.826M forecast outturn expenditure, £27.503M will be funded from capital reserves and £2.323M from internal borrowing.

- 10.2 Capital reserves (General Fund and Housing) are expecting to reduce from an opening position of £36.481M to a closing forecast position of £35.700M.
- 10.3 The opening balance is approximately £7M higher than originally budgeted mainly owing to funding from last year being rolled forward to be spent on re profiled/rolled forward schemes in 2015/16.
- 10.4 In year receipts are forecasting to increase on the original budget by £3.588M. This is mainly owing to the r/fwd of funding budgets for the Campus East Offices scheme, additional funding for four smaller grants schemes, and additional general fund disposals.
- 10.5 Forecast in year internal borrowing = £2.323M. Campus East Offices extension £1.389M, Council chamber £0.534M, and White Lion House flats refurbishment £0.4M.

Roll forwards of £1.922M internal borrowing into 2016/17 are based on the values of capital schemes funded by internal borrowing expecting to roll forward into 2016/17.

11 Prudential Indicators

- 11.1 Monitoring for the Prudential Indicators. The indicators are as follows:
- 11.2 Capital Expenditure. This indicator represents the total capital expenditure for the authority. The 2015/16 forecast outturn is £29.826M. The capital budget expenditure programme is currently set to spend an average of £24M each year for the next four years.
- 11.3 Capital Financing Requirement. This indicator reflects the authorities underlying need to borrow to fund its capital programme. The 2015/16 CFR is calculated using the information from the 2014/15 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 = £26.464M + HRA = £262.844M). Included is the requirement of internal borrowing.
- 11.4 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 2015/16 the council's total authorised limit is £316M. (Borrowing limit of £8M + Long term liabilities/finance leases and loans of £2.8M + 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 2015/16 this is £285M (Borrowing boundary of £6M + other long term liabilities of £2.3M + housing self financing loan of £277M).
- 11.5 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

2015/16 we have an estimated general fund percentage of 1.5, and for housing 34.46. 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.

- 11.6 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 2015/16 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.
- 11.7 Gross debt and the capital financing requirement. This indicator records the extent that gross debit is below the CFR. This ensures that over medium term that the debt is only used for capital purposes. For 2015/16 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 (£263M).
- 11.8 Prudential indicator outturns for the previous year and budgets for 2015/16 to 2019/20 are set in the 2015/16 Budget Book.

12 Equality and Diversity

- 12.1 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.

Name: Pam Kettle

Title: Director (Finance and Operations)

Date: 4th January 2016

Attachments:

Appendix A - Capital Expenditure Monitoring per Scheme