

WELWYN HATFIELD BOROUGH COUNCIL

CABINET – 5 JUNE 2018

REPORT OF THE EXECUTIVE DIRECTOR (RESOURCES, ENVIRONMENT AND CULTURAL SERVICES)

CAPITAL BUDGET OUTTURN REPORT 2017/18

EXECUTIVE SUMMARY

- 1.1 This report presents the capital expenditure and associated capital funding for both general fund and housing account for 2017/18.
- 1.2 A summary of the capital outturn is provided in table 1, and the capital financing is summarised in table 2.

2 Recommendations

- 2.1 That Cabinet note the overall capital outturn position and financing for 2017/18
- 2.2 That Cabinet approve the roll forward budgets as detailed in Appendix A

3 Expenditure

- 3.1 The capital outturn position is summarised in Table 1 and a detailed breakdown by capital scheme per directorate can be found in Appendix A
- 3.2 The majority of the variance relates to the re-phasing of specific projects into 2018/19, which are shown in Appendix A. Explanations for (under)/overspends over £50k are detailed below:
 - £83k adverse variance on HTC Fees for Redevelopment (ref 47) – This overspend relates to the capitalisation of salaries for Hatfield Town Centre Schemes. This overspend is offset by an additional revenue contribution to capital, financed by the underspend on revenue salary budgets due to the capitalisation.
 - £438k favourable variance on Disable Facilities Grants (ref 119) – This underspend relates to grant funded expenditure which is not being rolled forward to 2018/19. The budget includes roll forwards from previous years, and it is unlikely all the underspend can be spent during 2018/19, in addition to the budget already available in 2018/19. The grant funding is still being held, and budget adjustments will be undertaken as part of the budget setting process for 2019/20 to ensure the grants are fully utilised over the five year programme.

- £262k net adverse variance on the Affordable Housing Programme – The Council is required to spend the retained right to buy receipts for replacement of affordable housing. After a fundamental review of the valuations during the year, it was identified that the Council would need to increase spend during 2017/18 to ensure that receipts were not returned to the Government. This spend is partly funded by the retained right to buy receipts, with the balance from HRA balances.
- £152k favourable variance on Capital Project Management (ref 141) – This budget relates to the capitalisation of salaries for Housing Property Services. Due to a number of vacancies during the year, the transfer of salary costs was lower for the financial year. There is an adequate budget for 2018/19 for these costs, and as such there is no requirement to re-phase the balance into 2018/19.

Table 1: Capital Outturn 2017/18 by Fund and Head of Service

Description	Current Budget	Outturn	Variance		Re-phasing to 2018/19	(Under)/Over spend
	£'000	£'000	£'000		£'000	£'000
General Fund						
Head of Resources	10,990	2,622	(8,368)		(8,841)	113
Head of Environment	4,840	582	(4,258)		(4,254)	(5)
Head of Policy and Culture	2,961	370	(2,591)		(2,561)	(30)
Executive Director - Resources, Environment & Cultural Services	18,791	3,537	(15,217)		(15,296)	78
Head of Planning	1,267	105	(1,162)		(1,162)	0
Head of Law and Administration	15	13	(2)		0	(2)
Head of Public Health and Protection	1,302	118	(20)		(20)	0
Executive Director – Public Protection, Planning and Governance	1,302	118	(1,184)		(1,182)	(2)
Head of Community & Housing Strategy	978	324	(654)		(187)	(467)
Executive Director - Housing and Communities	978	324	(654)		(187)	(467)
General Fund Total	21,071	4,016	(17,055)		(16,664)	(391)
Housing Revenue Account						
Head of Housing Operations	58	2	(56)		(56)	0
Head of Community & Housing Strategy	18,256	18,668	142		(120)	262
Head of Housing Property Services	15,771	12,830	(2,941)		(2,793)	(149)
Executive Director - Housing and Communities	34,927	31,498	(2,799)		(2,913)	113
Housing Revenue Account Total	34,927	31,498	(2,799)		(2,913)	113
Grand Total	55,426	35,516	(19,910)		(19,633)	(277)

4 Capital Funding and Reserves – Forecast Outturn

- 4.1 The financing of the capital programme, and cumulative borrowing position (internal and external loans) is shown in table 2.

Table 2: Capital Financing Forecast

GENERAL FUND	
	£'000
Total Expenditure	4,016
Capital Receipts and Reserves	(4,106)
Capital Grants and Contributions	(698)
Revenue Contribution to Capital	(331)
Borrowing Requirement for Year before Minimum Revenue Provision	(1,119)
Minimum Revenue Provision	(449)
Net Change in Borrowing Requirement for 2017/18	(1,568)
Cumulative Borrowing Requirement at year end (inclusive of Finance Leases)	21,188
Capital Reserves and Grants Balance at year end	13,059
HOUSING REVENUE ACCOUNT	
	£'000
Total Expenditure	31,498
Loan Repayment	15,300
Capital Receipts and Reserves	(19,533)
Restricted 141 Capital Receipts	(6,168)
Capital Grants and Contributions	(145)
Revenue Contribution to Capital	(15,302)
Borrowing Requirement for Year	5,649
Cumulative Borrowing Requirement at year end	242,248
Capital Reserves and Grants Balance at year end	16,957

- 4.2 The capital financing has been adjusted to take into account rephrasing of capital expenditure into 2018/19.
- 4.3 A key change to the financing and capital balances relates to the Right to Buy receipts. Since the reinvigoration of Right to Buy, the Council has seen an average of around 70 sales per year. This dropped to 49 in 2017/18, leading to lower levels of receipts and balances. This will be closely monitored during 2018/19 to understand if this is a continuing trend.

- 4.4 If this reduced level of sales does continue into future years, the MTFs and forward financing will need to be revisited, particularly on the General Fund due to the low level of capital balances forecast and its reliance on its share of the attributable debt associated with these sales to maintain these balances.
- 4.5 Another key change relates to the Revenue Contribution to Capital, which was increased to fund the capitalisation of salaries to various property projects. This increase was funded from underspends on revenue salaries, following their capitalisation.
- 4.6 In addition to these changes, some minor capital receipts and contributions were also received, and have been incorporated into closing balances, or allocated to finance particular schemes where received towards a specific project.

Implications

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 Financial Implication(s)

- 6.1 Financial risks associated with the capital budgets are detailed at paragraph 7.

7 Risk Management Implications

- 7.1 The risks related to this proposal are:
- 7.2 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.
- 7.3 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.
- 7.4 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.
- 7.5 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.
- 7.6 Regular monitoring and reporting of the capital budget and funding are an important part of mitigating these risks.

7.7 A formal risk assessment has not been prepared in relation to the details in this report.

8 Security & Terrorism Implication(s)

8.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

9 Procurement Implication(s)

9.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

10 Climate Change Implication(s)

10.1 Implications will be considered when individual capital schemes are proposed and the release of capital funding is sought.

11 Link to Corporate Priorities

11.1 The subject of this report is linked to the delivery of all of the Council's Corporate Priorities.

12 Equality and Diversity

12.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the proposals that are set out in this report as there is no impact on services directly as a result of the recommendations.

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Background papers to be listed (if applicable)

Appendices to be listed:

Appendix A - Capital Expenditure Monitoring by Scheme