

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>2<sup>nd</sup> JULY 2020</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>STRATEGIC DIRECTOR (CORPORATE RESOURCES)</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>VICKI SUMMERFIELD 01283 595939</b> <a href="mailto:Victoria.summerfield@southderbyshire.gov.uk">Victoria.summerfield@southderbyshire.gov.uk</a>	<b>DOC:</b> s/finance/committee/2019-20/July
<b>SUBJECT:</b>	<b>CAPITAL FINANCIAL MONITORING 2019/20</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM08</b>

## **1.0 Recommendations**

- 1.1 That the latest capital financial position for 2019/20 as detailed in the report is considered and approved.

## **2.0 Purpose of the Report**

- 2.1 To provide an update on performance against the budget for 2019/20.
- 2.2 The report details performance of both the HRA and General Fund up to 31st March 2020 unless otherwise stated and is an update of capital project progress for 2019/20.

## **3.0 Detail**

- 3.1 The Council's capital programme consists of many different projects covering both the General Fund and HRA.
- 3.2 General Fund projects are developed in line with strategies reported to policy committees and are funded through Section 106 developer contributions, General Fund contributions, grant income and capital receipts generated from asset sales.
- 3.3 HRA projects are mainly for refurbishment of council houses, disabled adaptations to council housing and new build and are funded by HRA reserves plus grant income.
- 3.4 The capital budget for 2019/20 was approved in February 2019 and was updated following the outturn for 2018/19 to reflect the carry forward of income and expenditure for incomplete projects. Additional budgets have also been included on the HRA for property acquisitions reported separately.

- 3.5 Progress during the year on capital projects and the total financing of all of the projects is summarised in the following tables.

<b>Capital Spending 2019/20</b>	<b>Approved Budget £</b>	<b>B/fwd 2018/19 £</b>	<b>Updated Budget 2019/20 £</b>	<b>Spend to-date £</b>
Council House Capital Works	2,788,000	0	2,788,000	1,636,315
Council House Disabled Adaptations	300,000	0	300,000	224,476
New Build and Acquisition Schemes	1,410,000	237,367	1,647,367	1,345,831
<b>Total HRA</b>	<b>4,498,000</b>	<b>237,367</b>	<b>4,735,367</b>	<b>3,206,622</b>
Private Sector Housing Works	792,375	1,151,017	1,943,392	372,131
Environmental and Heritage Schemes	0	42,007	42,007	59,472
Swadlincote Woodlands Nature Reserve	0	37,000	37,000	33,388
Community Partnership Scheme	0	239,005	239,005	113,310
Eureka Park	0	0	0	12,797
Melbourne Sports Park	400,000	33,799	433,799	13,998
CCTV Rosliston	0	0	0	13,580
Flail Mower, Rosliston	0	0	0	10,750
Vehicle Replacements	517,000	0	517,000	354,029
Town Centre Regeneration	100,000	0	100,000	21,694
Sale of Land and Property	0	0	0	61,402
Community Centres / Pavilion	0	0	0	30,582
IT Strategy	210,000	461,842	671,842	298,380
Property Maintenance and Refurbishment	130,000	130,000	260,000	65,684
<b>Total General Fund</b>	<b>2,149,375</b>	<b>2,094,670</b>	<b>4,244,045</b>	<b>1,461,197</b>
<b>Total Council Expenditure</b>	<b>6,647,375</b>	<b>2,332,037</b>	<b>8,979,412</b>	<b>4,667,819</b>

<b>Capital Financing 2019/20</b>	<b>Approved Budget £</b>	<b>B/fwd 2018/19 £</b>	<b>Updated Budget 2019/20 £</b>
HRA Revenue Contribution	3,088,000	0	3,088,000
General Fund Revenue Contribution	740,000	272,804	1,012,804
Earmarked/Specific Reserves	1,274,000	606,279	1,880,279
Capital Receipts Reserve	653,000	192,367	845,367
Grant Funding	892,375	1,260,587	2,152,962
<b>Total Funding</b>	<b>6,647,375</b>	<b>2,332,037</b>	<b>8,979,412</b>

### **HRA Capital**

- 3.6 Major refurbishment works to Council housing was delayed initially due to the delay in appointing a new contractor, but works have progressed well during the year. An underspend was expected against the budget and this will be carried forward into 2020/21.
- 3.7 Disabled adaptations of Council housing are lower than budget due to the delay appointing a contractor. The underspend will be carried forward to enable additional works in 2020/21.

- 3.8 The budget for new build and acquisition schemes consists of the construction of properties at Lullington Road, Overseal and acquisition of properties in Repton, Newhall and Aston.
- 3.9 Seven properties were acquired in Aston and are all occupied.
- 3.10 The properties in Repton and Newhall are due to be transferred to the Council during 2020/21 therefore the budget for 2019/20 only includes a deposit at this stage.
- 3.11 New build properties in Overseal are now complete and are fully let. The budget carried forward from 2018/19 is specific for these dwellings. Due to the delay with completion, additional costs have been incurred and the project has exceeded the carried forward budget by £89k. The additional cost can be covered by the capital receipts reserve and there are specific revenue budgets within the HRA for professional fees in relation to new build that can be utilised if necessary.

### **General Fund Capital**

#### **Private Sector Housing Works**

- 3.12 There are several projects included within this area, one of which is Disabled Facility Grants (DFG). Expenditure on DFG has been consistently lower than the allocated budget of £400k for several years. Budget carry forwards are for approved projects, some of which have started during 2019/20.
- 3.13 A list of new projects was reported to this Committee in November and this report gave a three-year projection on expected spend. A number of these projects are not expected to be rolled out until 2020/21 due to project planning and recruitment and therefore a large carry forward will be made at the end of this financial year.

#### **Environmental and Heritage Schemes**

- 3.14 This relates to the Swadlincote Town Centre Scheme following the award of funding in 2016/17.
- 3.15 A small budget was carried forward from 2018/19 and although this budget is currently overspent, most of the expenditure incurred has been claimed from the Heritage Lottery Fund (HLF) with the remainder being funded from a specific earmarked reserve.

#### **Leisure and Community Schemes**

- 3.16 The Community Partnership Scheme has all the funding committed to specific projects, but the funding is still to be drawn down from the Council.
- 3.17 Match funding has been secured for the Swadlincote Woodlands Nature Reserve and the project has been completed during 2019/20.
- 3.18 The capital element of the Eureka Park project is now complete and final funding has been drawn down from S106.
- 3.19 Melbourne Sports Park drainage works are still in the early stages. A tender for works has been completed and an award to the appointed contractor is under review.

- 3.20 CCTV at Rosliston has been installed due to security concerns after a break in at the site. A flail mower has also been purchased for Rosliston. Both are to be financed through an earmarked reserve set up specifically for works at Rosliston.

### **Vehicle Replacements**

- 3.21 The scheduled replacements in 2019/20 are for new road sweepers, additional vans for Grounds Maintenance, a refuse freighter and a bulky waste vehicle. The road sweepers and refuse freighter have now been purchased with the remaining vehicles scheduled for delivery in 2020/21.

### **Asset Disposals and Refurbishment**

- 3.22 Costs associated with the sale of land at Oversetts Road will be funded by the capital receipt once received (£7k) and costs associated with the sale of the former Depot site (£38k) are covered by the deposit of £45k already received. Disposal costs in relation to transfer of Overseal Public Toilets of £16k is included above but was previously approved by this Committee to be funded through the General Fund.
- 3.23 A General Fund contribution of £130k is set-aside each year to fund refurbishment and maintenance of Public Buildings. Due to a tender exercise no works were scheduled during 2018/19. A contractor has now been appointed and a works programme will run alongside scheduled capital works on HRA Council dwellings. To-date works on Rink Drive have been undertaken.
- 3.24 Costs have been incurred in year on the new Community Centre at Stenson (£2k), Walton Village Hall (£2k) and the proposed extension at Midway Community Centre (£5k). Professional fees have been incurred for the proposed Pavilion at Oversetts Road. The costs of the fees can be covered from the capital receipt generated in year from sale of the land off Oversetts Road.

### **IT Strategy**

- 3.25 Following approval of an IT Strategy, sums are being set-aside annually to fund new equipment and software.
- 3.26 A number of separate tender exercises have been undertaken during 2018/19 and the early part of 2019/20 and an equipment replacement programme is currently being rolled out across the Council.
- 3.27 The allocated budget is not expected to be spent in year and will be phased across a longer period. Any underspend will be carried forward into future years.

### **Capital Reserves**

- 3.28 The capital reserve balances for the General Fund and HRA as at the 31<sup>st</sup> March 2020 are listed below. The Council's reserve position is still not yet completed for 2019/20. Therefore, balances as quoted below are subject to change.

	£
New Build and Acquisition Reserve	2,150,639
Major Repairs Reserve	3,454,260
Debt Repayment Reserve	6,470,000
<b>HRA Capital Reserves</b>	<b>12,074,899</b>
Capital Receipts Reserve	1,459,825
<b>General Fund Capital Reserves</b>	<b>1,459,825</b>
<b>Total Capital Reserves</b>	<b><u>13,534,724</u></b>

### HRA Capital Reserves

3.29 The New Build and Acquisition Reserve is topped up by all retained receipts of sales of Council houses under Right to Buy.

3.30 Right to Buy sales have totalled 16 as at 31<sup>st</sup> March 2020 and £695,949 is included in the New Build and Acquisition Reserve above and is summarised in the following table.

	Sales £	Gross Receipts £	Less Pooled £	Retained	
				£	%
Quarter 1	4	206,640	-77,900	128,740	62%
Quarter 2	6	305,513	-77,900	227,613	75%
Quarter 3	3	233,315	-77,900	155,415	67%
Quarter 3	3	262,081	-77,900	184,181	70%
<b>Total</b>	<b>16</b>	<b>1,007,549</b>	<b>-311,599</b>	<b>695,949</b>	<b>69%</b>

3.31 One of the dwellings sold in February is part of the Council's new build development in Linton, built in 2016/17.

3.32 Any underspends on the HRA capital programme are transferred to the Major Repairs Reserve at year-end and the balance is to be utilised in future years as the new schedule for capital works is implemented. A draw down will not be required in year but capital adjustments are still required therefore this reserve will change once the year-end process is complete.

3.33 Currently the HRA has debt of £57.4m to be repaid to the Public Works Loan Board at specific dates over a 20-year period because of self-financing.

3.34 The profile of debt repayment is listed in the following table.

Date due	£
28-Mar-22	10,000,000
28-Mar-24	10,000,000
28-Mar-27	10,000,000
28-Mar-32	10,000,000
28-Mar-37	10,000,000
28-Mar-42	7,423,000
	<b><u>57,423,000</u></b>

3.35 Sums are being set-aside each year for the scheduled repayments and are included in the HRA MTFP.

## General Fund Capital Reserves

3.36 The Capital Receipts Reserve is made up of asset sales in recent years and there are a few remaining projects to be funded from the balance as listed in the table. Included within the total reserve is the overage payment received from Chestnut Avenue, Midway.

3.37 A sum of £820,162 has been received during 2019/20 to build a community facility at Oversetts Road. £570,000 of this receipt was negotiated under a S106 agreement and therefore is not included within the Capital Receipts reserve. The remaining balance has been separated below as it is to be utilised for this specific project.

	£ 2019/20	£ 2020/21	£ 2021/22	£ 2022/23	£ 2023/24	£ 2024/25
<b>General Capital Receipts B/fwd</b>	<b>334,736</b>	<b>497,150</b>	<b>1,814,418</b>	<b>2,611,068</b>	<b>2,611,068</b>	<b>2,611,068</b>
<b>Receipts in Year:</b>						
Land Sale Bridge Street, Castle Gresley	15,552	0	0	0	0	0
Additional Receipt for Land at Staley Close	2,500					
Sale of former Depot Site	45,000	855,000	0	0	0	0
Land Sale Oversetts Road	167,017	705,000	796,650	0	0	0
<b>Specific Projects:</b>						
Strategic Housing Market Assessment	-15,878	0	0	0	0	-50,000
Private Sector Stock Condition Survey	0	-60,000	0	0	0	0
Empty Property Grants	-4,000	-38,000	0	0	0	0
Repairs to Village Halls	-2,375	-6,700	0	0	0	0
Public Buildings Planned Maintenance	0	-58,032	0	0	0	0
Costs of Land Sales	-45,402	-80,000	0	0	0	0
<b>Remaining Balance</b>	<b>497,150</b>	<b>1,814,418</b>	<b>2,611,068</b>	<b>2,611,068</b>	<b>2,611,068</b>	<b>2,561,068</b>
<b>Specific Receipts for Specific Projects</b>						
B/fwd Balance	0	962,675	962,675	962,675	962,675	962,675
Overage Payment	738,599	0	0	0	0	0
Oversetts Project Payment	250,162	0	0	0	0	0
Midway Community Centre Costs	-4,587	0	0	0	0	0
Oversetts Professional Fees	-21,499	0	0	0	0	0
<b>C/fwd Balance</b>	<b>962,675</b>	<b>962,675</b>	<b>962,675</b>	<b>962,675</b>	<b>962,675</b>	<b>962,675</b>
<b>Total Capital Receipts Reserve Balance</b>	<b>1,459,825</b>	<b>2,777,093</b>	<b>3,573,743</b>	<b>3,573,743</b>	<b>3,573,743</b>	<b>3,523,743</b>

3.38 The Strategic Market Housing Assessment and Private Sector Stock Condition Survey are both scheduled to recur every five years.

## 4.0 Financial Implications

4.1 Detailed in the report.

## 5.0 Corporate Implications

5.1 None directly.

**6.0 Community Impact**

6.1 None directly.