

Report of the Interim Deputy Chief Executive

CAPITAL PROGRAMME 2018/19 UPDATE1. Purpose of report

To report upon capital expenditure incurred in 2018/19 up to 31 August 2018 along with the planned financing of the 2018/19 capital programme and to seek approval for a number of capital budget variations in the current financial year.

2. Background

Appendix 1 sets out the 2018/19 capital programme on a scheme by scheme basis and shows expenditure incurred on all capital schemes up to 31 August 2018. The 2018/19 capital programme includes schemes totalling £1,552,850 that were carried forward from 2017/18.

Appendix 1 shows that capital expenditure totalling £2,813,684 (or 22% of the planned 2018/19 capital programme) had been incurred by 31 August 2018.

Included in the 2018/19 capital programme are schemes totalling £978,650 that are on a “reserve list” and will be brought forward for formal approval to proceed once a source of funding is identified.

Appendix 2 sets out how it is anticipated that the 2018/19 capital programme is to be financed along with details of the capital receipts that are likely to be available for capital financing.

Examination of progress against the approved capital programme for 2018/19 along with the receipt of additional information has identified a number of schemes where the budget needs to be amended. Further details are set out in appendix 3.

Recommendation

The Committee is asked to:

- 1. NOTE the expenditure on the 2018/19 capital programme to 31 August 2018 and the planned financing of the 2018/19 capital programme in appendices 1 and 2.**
- 2. RESOLVE that the capital budget variations for 2018/19 as set out in appendix 3 be approved.**

Background papers

Nil

APPENDIX 1

	Total Budget	Actual to	
	2018/19	31/08/2018	Expenditure
	£	£	%
<u>CAPITAL EXPENDITURE SUMMARY</u>			
JOBS AND ECONOMY	90,000	38,324	43
LEISURE AND ENVIRONMENT	1,086,400	399,977	37
FINANCE AND RESOURCES	3,876,150	375,681	10
HOUSING	7,011,050	1,999,701	29
RESERVE LIST	978,650	0	0
<u>TOTAL</u>	13,042,250	2,813,684	22
<u>DETAILED SCHEMES</u>			
<u>LEISURE AND ENVIRONMENT</u>			
<u>ENVIRONMENT</u>			
Eastwood Town Council - Community Room Upgrade	5,000	0	0
Brinsley Parish Council - Play Area Repairs	4,000	0	0
Broadgate Park (Beeston) - Play Area Imp	5,600	0	0
Leyton Crescent Rec'n Gr'd - Play Area	41,100	0	0
Millfield Road Open Space - Improvement	22,200	0	0
Redbridge Drive Open Space - Play Area	52,800	48,305	91
Cleaning/Surfacing of Play Equipment	3,300	1,725	52
Awsorth P.C. - Play Area and Parks	16,450	0	0
Brinsley P.C. - Play Area and Parks	18,000	0	0
Greasley P.C. - Play Area and Parks	28,550	0	0
Kimberley T.C. - Play Area and Parks	25,400	0	0
Nuthall P.C. - Play Area and Parks	29,700	940	3
Trowell P.C. - Play Area and Parks	6,900	0	0
Mansfield Road Rec Ground (Eastwood)	26,900	0	0
2nd Kim Scout Group- Replacement Boiler	5,000	4,755	95
Nuthall PC - Cemetery Roadway Resurface	12,000	12,000	100
Additional Bus Shelters (Nuthall) (S106)	5,000	5,000	100
Pedestrian Crossing - Hickings Lane	40,000	0	0
Beeston Weir - Life Saving Equipment	8,000	1,265	16
Water Safety Measures	33,700	0	0
Leyton Cres Rec'n Gr'd- New Play Equipment	49,500	29,000	59
Colliers Wood- Activity Space	13,000	13,817	106
Hall Om Wong Footpath Improvements	13,250	0	0
Real Time Bus Information (17/18)	50,800	50,800	100
Town Centre Wi-Fi	60,000	0	0
St Helen`s Church Gates (Stapleford)	15,000	0	0

St Helen`s Church- Multipurpose Courtyard	5,000	0	0
Replacement Vehicles & Plant	223,000	228,743	103
Beeston Shopmobility (S106 ITPS)	2,500	305	12
St Catherines Churchyard, Cossall-Imprmts	6,000	2,221	37
Brinsley Headstocks-Create pond & wetland scrapes	1,600	158	10
Victoria Street Car Park-Eastwood-Resurface	18,150	0	0
Victoria Embankment Memorial Garden	10,000	10,000	100

	Total Budget 2018/19	Actual to 31/08/2018	Expenditure
	£	£	%
HEALTH			
BLC – Health Suite Refurbishment	0	(9,057)	0
CO - Replacement of Flat Roof	44,000	0	0
BLC – Replacement Hot Water Cylinders	15,000	0	0
BLC - Combined Heat and Power Unit	140,000	0	0
BLC - Property Condition Survey	30,000	0	0
FINANCE AND RESOURCES			
RESOURCES			
Former Beeston Bus Station - Interim Uses	11,800	750	6
New Ways of Working	98,650	10,191	10
Commercial Strategy- Invest to Save	53,000	46,614	88
Beeston Square - Phase 2 (NET Compensation)	111,300	239,798	215
Beeston Square - Phase 2	2,865,000	0	0
Capital Contingency	(7,850)	0	0
ICT SERVICES			
IT Replacement Programme	173,300	10,463	6
E Facilities	40,000	43,560	109
Replacement of MFD Photocopier Estate	63,000	0	0
VoIP Telephony	50,000	0	0
Committee Administration System	15,000	3,375	23
Technical Infrastructure	356,500	9,928	3
Replacement CRM System	20,600	11,003	53
Legal Case Management System	20,150	0	0
Care Leavers Council Tax Reduction Scheme Software	5,700	0	0

	Total Budget 2018/19 £	Actual to 31/08/2018 £	Expenditure %
<u>HOUSING</u>			
Disabled Facilities Grant	1,052,550	217,323	21
Warm Homes on Prescription	62,550	26,178	42
HRA Contingency	27,900	0	0
Central Heating Replacement	1,267,200	488,047	39
Modernisation Programme	1,984,700	596,659	30
Major Relets	150,000	98,235	65
Disabled Adaptations	417,250	162,608	39
Bexhill Ct - Scooter Storage	17,200	0	0
External Works- Paths Pavings	135,000	28,542	21
Fire Safety Assessment & Remedial Work	359,000	41,161	11
Window & Door Replacement	289,150	161,590	56
External Decoration & Pre Paint Repairs	643,750	103,678	16
Electrical Periodic Improvements	154,500	13,713	9
Housing System & DMS Replacement	213,400	37,650	18
Garage Refurbishment	236,900	24,317	10
<u>Jobs and Economy</u>			
Walker Street (Eastwood) - Transport Feasibility Study	20,000	0	0
Chewton Street (Eastwood) - Contamination Surveys (Notts Pre-Development Fund)	70,000	38,324	55
<u>SCHEMES AWAITING 2018/19 FUNDING</u>			
BLC - Replacement of Flat Roofs	154,000	0	0
BLC - Replacement of Main Pool Windows	80,000	0	0
BLC - Replacement of Teaching Pool Windows	20,000	0	0
BLC - Replacement Intruder Alarm	25,000	0	0
BLC - Replacement of Dance Studio Windows	10,000	0	0
BLC - Replacement of High Voltage Transformer	40,000	0	0
BLC - Refurbishment of Pool Surrounds	50,000	0	0
BLC - Refurbishment of Fitness Gym Changing Rooms	33,000	0	0
BLC - Replacement Carpet (Reception Area)	7,000	0	0
KLC - Replacement Youth Fitness Gym Equipment	60,000	0	0
KLC - Extension of swimming facilities	330,000	0	0
KLC - Transfer of documents to digital storage	5,500	0	0
KLC - Replacement Pool Circulation & Shower Pumps	12,000	0	0
KLC - Renewal of Entrance Doors	8,000	0	0

KLC - Installation of Fast Track Entry System	11,000	0	0
KLC - Invest to Save - Replacement Lighting	8,000	0	0
KLC - Replacement of Suspended Ceilings & Floorings	18,000	0	0
KLC - Re-Paint Car Park Lines and Customer Walkways	6,000	0	0
Cemeteries/Closed Churchyards-Footpath Impts	30,000	0	0
Asset Management - Programmed Maintenance	44000	0	0
Energy Management Database Equipment	7950	0	0
Invest to Save (Carbon Management Plan)	19,200	0	0

APPENDIX 2

Planned Financing of 2018/19 Capital Programme

Source of Financing	Value (£)
Major Repairs Reserve	3,889,200
Direct Revenue Financing – Housing Revenue Account	2,006,750
Direct Revenue Financing – General Fund	141,650
Better Care Fund	1,115,100
Usable Capital Receipts – Awaited (GF Schemes)	978,650
Borrowing – General Fund	3,946,400
Usable Capital Receipts – General Fund	671,950
Section 106 Receipts – Parks and Open Spaces	40,150
Section 106 Receipts – ITPS	98,300
Notts Pre-Development Fund	70,000
6C's Growth Point	1,600
WREN	49,500
Homes England	20,000
Colliers Wood Friends	13,000
Total	13,042,250

Capital Receipts

(i) General Fund

General Fund capital receipts available at 31 August 2018 for the financing of capital expenditure were approximately £927,450. This includes £650,000 NET compensation received on 16 March 2018.

The planned financing of the 2018/19 capital programme shown in the table above assumes that General Fund capital receipts of £671,950 will be utilised. As the available capital receipts exceed the planned use as set out above, consideration will be given as to whether some of the schemes presently totalling £978,650 that are on the reserve list awaiting funding can be brought forward and given approval to proceed.

The Finance and Resources Committee on 12 July 2018 resolved to dispose of Cavendish Lodge in Beeston. The subsequent capital receipt will, when realised, be available to support the financing of capital expenditure.

(ii) Housing Revenue Account

Housing Revenue Account (HRA) capital receipts available at 31 August 2018 for the financing of capital expenditure were over £2,673,750.

Overall, the HRA has the following resources available for capital investment, including the construction of new build properties:

- Borrowing "Headroom" of £3,145,000
- Capital Receipts from sale of Council Houses of £2,673,750

- HRA revenue contributions (NB. Balance at 31 March 2018 was £3,862,450)

The payments that are required to be made to MHCLG are comprised of the following elements:

- (i) An assumed level of receipts under right to buy (RTB) based upon a baseline forecast in the self-financing settlement of March 2012
- (ii) Any receipts that are required to be returned in line with the agreement on the one for one replacement of the housing stock

Like most local authorities with their own housing stock, the Council entered into an agreement with the Government in 2012 to retain receipts from the sale of council houses in excess of those in (i) above to fund the replacement of stock that is sold. Under the terms of this agreement, local authorities are required to spend RTB receipts within three years and the receipts should fund no more than 30% of the cost of a replacement unit. Where a local authority is unable to spend receipts within three years they have to be returned to the MHCLG, together with interest of 4% above base rate, to be spent on affordable housing through Homes England.

Statistics released in March 2018 showed for the first time that while the overall number of homes available for social rent has increased, local authorities have not been building enough RTB replacements to match the pace of sales and the commitment by the Government that every additional home sold would be replaced on a one-for-one basis nationally is no longer being met.

The Government responded to concerns that the restrictions around the use of RTB one for one receipts were a barrier to housing delivery and stated that they would consult with local authorities on how they can use their RTB receipts to build more council houses.

On 14 August 2018 the Government launched a consultation on options for giving local authorities greater flexibility in how they use receipts from the sale of homes under RTB to generate new housing. It set out a number of questions on the following areas:

- The timeframe for spending RTB receipts
- The cap on expenditure per replacement unit
- The use of RTB receipts for acquiring existing properties
- The tenure of a replacement home (eg. shared ownership)
- The way the cost of land is treated
- The transfer of RTB receipts to a Housing Company or Arms Length Management Organisation (ALMO)
- The temporary suspension of interest payments

The consultation closed on 9 October 2018. In order to assess the Council's present position in terms of its RTB receipts and the impact of any changes that may be introduced as a consequence of the consultation, the Council is liaising with Anthony Wilkinson (Associate Consultant) from Housing Finance Associates who assists with the annual update of the financial model within the Council 30 year HRA business plan.

Under the one for one replacement agreement, the Council still has a significant amount of capital receipts available to finance a new build programme, acquire existing properties or grant fund another body such as a housing association to deliver new build properties.

The Housing Committee agreed on 14 March 2018 to put out to tender work to provide updated information on social and affordable housing need in Broxtowe that would include a draft house building delivery plan intended to quicken the pace of the building of more social and affordable housing in the borough.

APPENDIX 3

1. Beeston Town Centre Redevelopment

The 2018/19 capital programme includes £111,300 brought forward from 2017/18 for specialist legal, land and procurement advice for the Phase 2 redevelopment of Beeston town centre. It has been assumed that this cost will be met by available capital receipts. Expenditure incurred to 31 August 2018 totalled £239,798.

The 2018/19 capital programme also includes £2,865,000 in respect of the first year of the planned £10,865,000 work on Beeston Town Centre redevelopment with planned expenditure of £6,000,000 anticipated in 2019/20 and £2,000,000 in 2020/21. It is presently planned that this cost is met from a combination of borrowing and a capital receipt from the disposal of part of the site for residential use.

Both schemes outlined above are essentially relate to the same project and can therefore be combined. Further expenditure of approximately £300,000 is expected in 2018/19 on specialist legal, land and procurement advice associated with a tender for the required work. The majority of the work is presently anticipated to take place in 2019/20 and therefore a carry forward of £2,436,500 into the 2019/20 capital programme is requested.

2. Bramcote Leisure Centre – Emergency Concrete Repairs

An inspection of Bramcote Leisure Centre undertaken by the Centre Manager and the Head of Property Services in early August 2018 identified a significant degree of deterioration in one of the concrete support pillars. Whilst this was not considered to be dangerous (as confirmed by a subsequent specialist inspection), the level of deterioration was such that the Chief Executive, after consultation with the Leader of the Council, exercised her Standing Order 32 powers to arrange for the repair work to be undertaken at the earliest opportunity.

Contractors performing such specialist repair work require a lead-in period of several weeks and waiting until this Committee meeting for approval to proceed would have delayed the repairs until December. This is not considered to be suitable time for such work, particularly if there were to be a cold snap.

The work commenced on 17 September 2018 and the estimated cost is approximately £10,000. It is proposed that the cost be met from the revised capital contingency for 2018/19 as set in in section 6 below.

3. Redwood Crescent - Purchase of Open Space Land

In November 2017 the Council sold a former garage site at Redwood Crescent in Beeston to a developer for £57,000. The income received represented a capital receipt for the Housing Revenue Account (HRA). The developer subsequently went into liquidation and the condition of the site has attracted both criticism from local residents and significant coverage in the local media.

The Council was presented with an opportunity during September 2018 to purchase some open space land within the site from the liquidator and, as there was no budget provision for this in the 2018/19 capital programme, the Chief Executive exercised her standing Order 32 powers to allow the purchase to be completed quickly.

The cost of the open space land was £1,050 with an additional £4,066.50 for liquidator and solicitor fees. It is proposed that this cost is met from the 2018/19 HRA capital contingency of £27,900.

4. “Clean and Green” Initiative

The Leisure and Environment Committee on 26 September 2018 approved a series of activities under the “Clean and Green” initiative including estimated capital expenditure of £20,000 on CCTV cameras and £13,000 on security measures designed to reduce fly tipping and recommended to the Finance and Resources Committee that funding be provided to support this. It is proposed that this cost is met from the revised capital contingency for 2018/19 as set in in section 6 below.

5. Kimberley Leisure Centre – Replacement Air Conditioning Units

The two air conditioning units in Studio 2 at Kimberley Leisure Centre are no longer working as intended. Studio 2 accommodates aerobic, yoga and pilates classes as well as children’s parties and the nature of these activities means that it is essential that the air is appropriately controlled.

The existing air conditioning units are 17 years old and, although they have been performing reasonably well and are serviced regularly, the high temperatures during the summer and increased use of the units mean that replacements are now considered necessary.

The estimated useful life of the new air conditioning units is between 12 and 20 years depending upon the extent and manner in which they are used and they come with a manufacturer’s warranty for 7 years. In addition, the new units would be an estimated 35-40% more energy efficient than the existing units.

A quotation for the two new air conditioning units of £8,000 has been received. In addition, some additional electrical work would be required by another contractor at an estimated cost of £450. This includes the decommissioning and disposal of the existing units.

It is proposed that the total cost of £8,450 be met from the revised capital contingency for 2018/19 as set out in section 6 below.

6. Capital Contingency

The original capital programme 2018/19 included a General Fund capital contingency of £55,000. This has been allocated as follows:

	£
Finance and Resources Committee 26 April 2018	
- 2 nd Kimberley Scout Group Replacement Boiler	5,000
- Nuthall Parish Council – Cemetery Roadway Resurface	12,000
Finance and Resources Committee 12 July 2018	
- St Helen's Church (Stapleford) – Repair and Refurbishment	15,000
- Care Leavers Council Tax Reduction Scheme Software	5,700
- Legal Case Management System	20,150
- St Helen's Church (Stapleford) – Multi Purpose Courtyard	5,000
TOTAL	62,850

As set out in appendix 2, the Council presently has more General Fund capital receipts available than are required to finance planned expenditure in the 2018/19 capital programme. It is proposed that £117,850 be added to General Fund capital contingencies in the 2018/19 capital programme to give a revised General Fund capital contingency of £110,000. This will meet the costs of the schemes set out in sections 2, 4 and 5 above and provide a funding source for any future capital schemes that emerge in the remainder of the year.