

Meeting: EXECUTIVE

Agenda Item:

Portfolio Area: Resources

Date: 8 July 2020



2019/20 CAPITAL EXPENDITURE OUTTURN KEY DECISION

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1. PURPOSE

- 1.1 To update Members on the outturn position on the 2019/20 capital programme including the resources used to fund the capital expenditure.
- 1.2 To update Members on the Council's Capital Strategy and any changes to the 2020/21 and future year's capital programme.
- 1.3 To update Members on the actual 2019/20 Minimum Revenue Provision (MRP) and the MRP for 2020/21.
- 1.4 To update Members on the resources available to fund the Capital Strategy.
- 1.5 To approve any additions to the disposal programme.

2. RECOMMENDATIONS

- 2.1 That the 2019/20 General Fund capital expenditure outturn of £13.1Million be noted, (subject to the completion of the 2019/20 external audit of accounts).
- 2.2 That the 2019/20 HRA capital expenditure outturn of £30.4 Million be noted (subject to the completion of the 2019/20 external audit of accounts).
- 2.3 That the funding applied to the 2019/20 General Fund capital programme be approved as summarised in paragraph 4.2.1.
- 2.4 That the funding applied to the 2019/20 HRA capital programme be approved as summarised in paragraph 4.5.1.

- 2.5 That the 2020/21 General Fund capital programme net increase of £517K be approved comprising of:
- £3.9Million slippage from 2019/20 (as detailed in para 4.3.8),
 - £3.3Million re-profiled into 2021/22,
 - £125K reduction to mitigate the impact of Covid-19 on revenue resources available to support the capital programme,
 - and an additional net reduction of £10k funding no longer required in 2020/21 (as detailed in Appendix A to this report).
- 2.6 That the 2020/21HRA capital programme net decrease of £0.4 Million, due to slippage into 2019/20, be approved as summarised in paragraph 4.6.1 and detailed in Appendix B to this report.
- 2.7 That the use of £15K from the Deferred Works Reserve for 3 CCTV cameras which need to be replaced as set out in paragraph 4.3.4 be approved.

3. BACKGROUND

- 3.1 The 2019/20 capital programme was last approved by Members at the March Executive as part of the 3rd quarter monitoring report. At March Executive the 2019/20 revised General Fund capital programme was projected to be £17.3 Million and the 2019/20 revised HRA capital programme was projected to be £29.9 Million, a total of £47.2 Million.
- 3.2 Since the Executive meeting the economic and social landscape has changed substantially with a country wide “lockdown” to mitigate the impacts of the Covid19 pandemic. A refreshed Medium Term Financial strategy was approved by Executive in June in the report ‘Review of the Medium-Term Financial Strategy and Impact of Covid 19 on the Council’s General Fund Revenue Budget’, to seek to mitigate the immediate impact on the Council’s resources. Included in that report were changes to the financing of the 2019/20 and 2020/21 capital strategy, by the use of a Regeneration receipt to replace revenue contributions to capital, and the removal of schemes totalling £125k from the programme. Those changes have been incorporated into this report.
- 3.3 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer must certify the presentation of the pre audit annual accounts. This would normally be by the 31 May 2020 for financial year end of 31 March 2020. However, in response to the COVID-19 crisis, the publication date for the 2019/20 pre audit accounts has been put back to 31st August and the publication date for the final, audited accounts has been moved from 31 July to 30 November 2020. The aim is to publish the draft Statement of Accounts on the Council’s website accompanied by the Annual Governance Statement by 30 June 2020.
- 3.4 This report therefore includes unaudited outturn figures which may be subject to change following the completion of the external audit for the financial year 2019/20.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2019/20 GENERAL FUND CAPITAL PROGRAMME

4.1.1 The actual outturn for General Fund capital expenditure was £4.2 Million lower than that projected in the March 2020 report. The main reasons for this being:

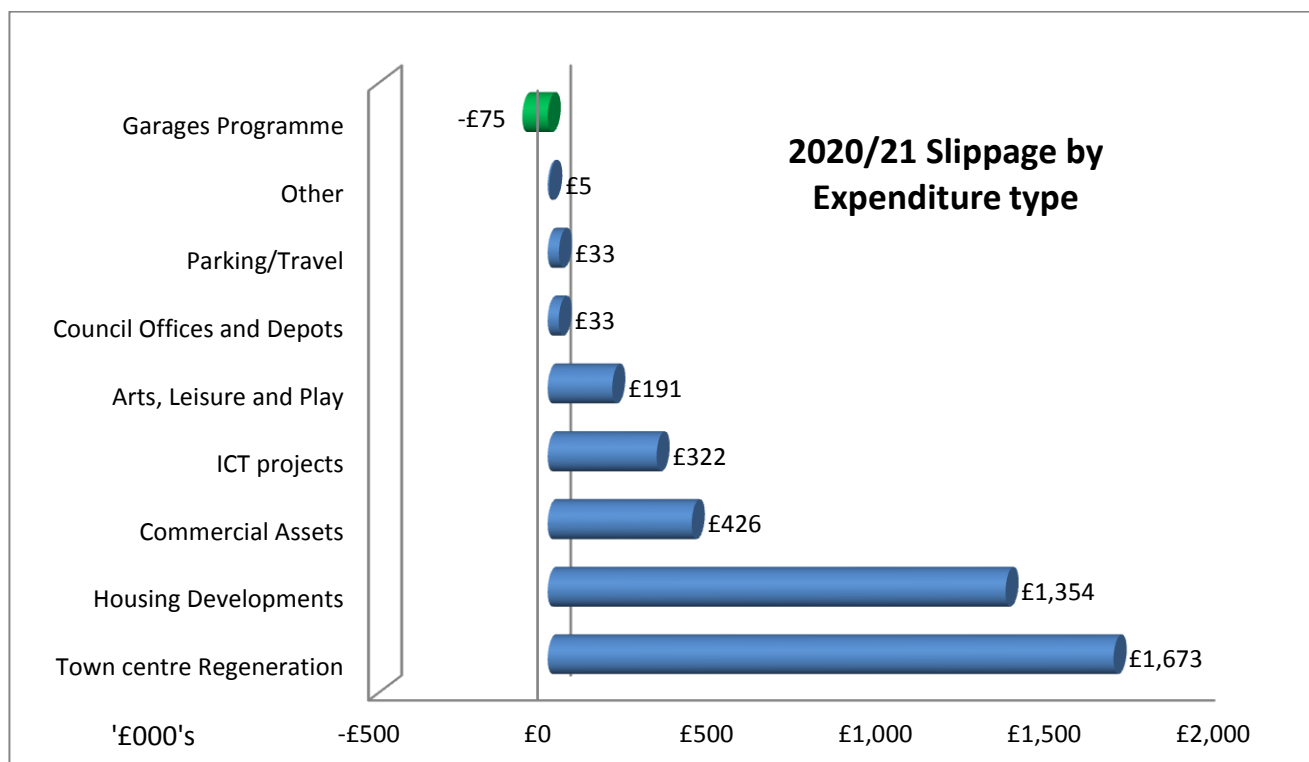
- **Regeneration** slippage of £1.7Million, £1.3Million relating to Covid-19. A decision was taken to delay mobilisation of the demolition works on the former police station and garages, due to emerging contractor uncertainty, and the project is still paused. Other spend was delayed as contractors and suppliers were impacted by the Covid19 measures. Land assembly purchases planned for March were slightly delayed and completed in April and officers have secured LEP funding despite the small delay.
- **Housing Development** slippage of £1.4Million, £0.7Million related to the increased budget for Grants to Registered Providers and £0.7Million relating to the Wholly Owned Company (WOC). The business plan for the WOC was due to be refreshed prior to Covid19 following an increase in borrowing costs. The expectation is that a revised business plan will go to the September Executive and will inform updates to this capital scheme.
- **Commercial Assets** underspend of £426K, £387K on Commercial Properties Refurbishment (the MRC Programme), £25K on works to improve vacant premises prior to re-letting them, and £14K on works to the Indoor Market. These schemes will be slipped to 2020/21.
- **ICT and Digital projects** underspend of £322K. The delays to some of the projects within the programme had a cascade effect on others, such as the Second Resilient Link to Cavendish needing to be in place before the Switch Replacement Programme could take place, followed by the roll-out of Office365.
- The **Deferred Works Reserve** of £146K which did not need to be drawn upon
- **Other variances** totalling £206K form the balance of the remaining underspend, including £63K on Play Areas which was due to Covid-19 due to not being in a position to to undertake meaningful consultation early enough and then enable delivery on site.

4.1.2 There was a small net overspend on Stevenage Direct Services, due to off-setting variations of overspends on the Garages Programme and Waste Receptacles, netted off by underspends on Play Areas, Litter Bins and the cyclical Vehicle Replacement Programme.

General Fund - Schemes	Q3 Revised Budget	2019-20 Actuals	Variance to Budget			Total Variance
			(Under)/Overspend	Slippage to 2020-21 related to Covid-19	Other Slippage/(to)/from 2020-21	
	£	£	£	£	£	£
Stevenage Direct Services	1,937,870	1,940,848	(6,513)	(62,839)	72,330	2,978
Housing Development	2,774,400	1,420,393	0	(654,007)	(700,000)	(1,354,007)
Finance and Estates	427,120	14,848	(152)	0	(412,120)	(412,272)

General Fund - Schemes	Q3 Revised Budget	2019-20 Actuals	Variance to Budget			Total Variance
			(Under)/ Overspend	Slippage to 2020-21 related to Covid-19	Other Slippage/ (to)/from 2020-21	
	£	£	£	£	£	£
Corporate projects, Customer Service & Technology	860,000	537,940	(1)	(75,166)	(246,893)	(322,060)
Housing and Investment (General Fund Assets)	449,700	360,940	(2,367)	(34,440)	(51,954)	(88,760)
Regeneration	9,850,150	8,198,887	0	(1,340,878)	(310,385)	(1,651,263)
Communities and Neighbourhoods	320,270	212,396	(9,345)	(45,000)	(53,529)	(107,874)
Planning and Regulatory	572,600	454,028	(71,442)	(20,000)	(27,130)	(118,572)
Deferred Works	146,410	0	(146,410)		0	(146,410)
TOTAL	17,338,520	13,140,279	(236,230)	(2,232,330)	(1,729,682)	(4,198,241)

4.1.3 The General Fund slippage can further be summarised by spend type in the following chart. Out of total expenditure, slipped into 2020/21, 42% relates to Town Centre regeneration (as detailed in para 4.1.1).



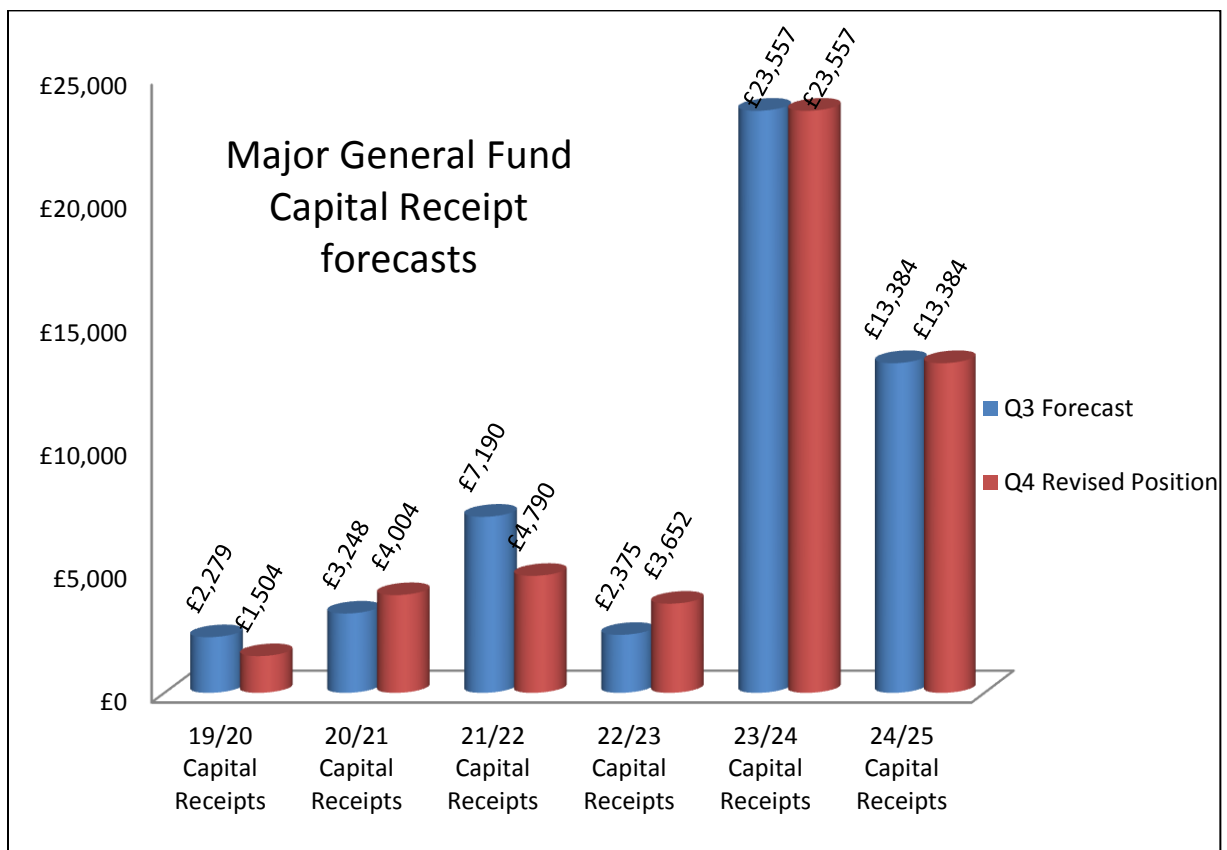
4.2 2019/20 GENERAL FUND CAPITAL RESOURCES

4.2.1 The total resources used and available to fund future General Fund capital expenditure are summarised in the following table:

General Fund Resources	Brought forward	Received in Year	Used in Year	Available to Fund Future Year Expenditure
	£	£	£	£
Usable Capital Receipts	(3,330,472)	(1,516,893)	1,202,882	(3,644,483)
Usable Capital Receipts ring fenced for Regeneration	(1,726,306)		1,217,930	(508,376)
Usable Capital receipts - GF LA share allocation	(431)	(360,637)	361,068	0
One for One Receipts-contribution from HRA		(829,465)	829,465	0
Section 106 Receipts	(668,307)	(571,912)	923,220	(316,999)
Grant and Other Contributions General Fund	(1,671,759)	(9,473,805)	7,902,780	(3,242,784)
Capital reserve	(594,000)	(500,000)		(1,094,000)
Short Term Prudential borrowing		(590,739)	590,739	0
Prudential borrowing		(1,228,920)	1,228,920	0
Total	(7,991,275)	(15,072,371)	14,257,005	(8,806,641)

Numbers in brackets () =available funds/funds received in year, Positive numbers = spent in year

4.2.2 The actual General Fund capital receipts realised in 2019/20 were £1.5Million compared to budgeted receipts of £2.3Million, a decrease of £775K, due to property transactions that were expected to go through late in the financial year but were delayed, in part due to Covid-19. The projected receipts for 2020/21 are anticipated to increase by £756K, which includes £634K of the delayed receipts from 2019/20.



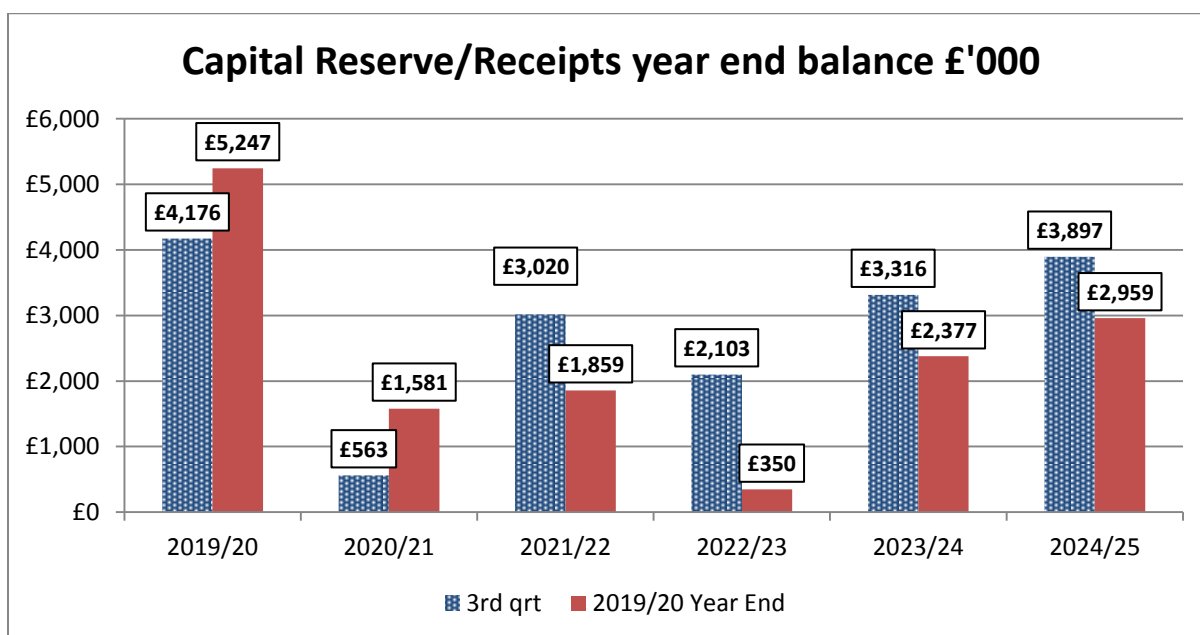
4.2.3 The capital programme also uses grants and contributions from Government and third parties such as developers in the form of S106 agreements. Most of this income is linked to specific projects and cannot support an unrelated scheme in the capital programme. The current capital strategy contains S106 monies that have been earmarked to support current and future capital schemes. An update on the balances available for 2020/21 onwards are set out in the following table:

S106 Update						
Available for financing	£	Used in Year	£	remaining	Budgeted in Future Years	£ remaining
Affordable Housing	£679,913.36	New Build Programme	£617,822.15	£62,091.21	New Build Programme	£62,091.21 £0.00
Childrens Playspace / open space	£24,000.63	Play Area Improvement Programme	£24,000.63	£0.00		£0.00
Community / Greenspace / Ecological Infrastructure	£106,752.88	Green Space Access Infrastructure	£36,415.30	£70,337.58	Green Space Access Infrastructure	£70,337.58 £0.00
Parking / Transport	£116,696.82	Car Club (Revenue)	£13,112.00	£103,584.82		£0.00 £103,584.82
Gardening Club	£4,575.60		£0.00	£4,575.60		£0.00 £4,575.60
Arboretum	£25,420.17		£0.00	£25,420.17		£0.00 £25,420.17
Pedestrian Link	£35,000.00		£0.00	£35,000.00		£0.00 £35,000.00
Household Surveys	£15,989.52		£0.00	£15,989.52		£0.00 £15,989.52
Total	£1,008,348.98	Total	£691,350.08	£316,998.90	Total	£132,428.79 £184,570.11

4.2.4 Where the Council has identified a **borrowing** need to finance the capital programme the Council has a statutory requirement to make a General Fund Minimum Revenue Provision (MRP) to reflect the cost of borrowing over the life of the assets funded through borrowing. The Council's MRP policy is approved with the Treasury Management strategy in February and is applicable regardless of whether physical borrowing has taken place. The MRP charge to the General Fund calculated for 2019/20, including on historic under borrowing, was £622K, and can be broken down as follows:

- £335K related to regeneration assets (funded from commercial income)
- £35K to investment properties (funded from commercial income)
- £252K to general borrowing (funded from General Fund revenue resources)

4.2.5 At the end of 2020/21 available capital resources were projected to be £0.563Million, subject to land receipts being received as forecast. Since 3rd quarter projected available resources to fund the capital programme has been updated as shown in the chart below.



4.2.6 The Covid-19 pandemic, which may be ongoing for some time, is likely to have an impact on capital resources available to support the future General Fund capital programme. This could include Usable Capital Receipts from private sales if Housing Development schemes are delayed and LA share of Right To Buy sales. Officers are working on revised estimates.

4.2.7 The grants and other contributions balance of £3.2Million includes LEP funding of £1.1Million due to the phasing of spend and resources. In addition to the GD3 funding agreed by the LEP for the Bus Interchange, other potential GD3 funded schemes are being developed and will be included in the Quarter 1 monitoring report.

4.3 GENERAL FUND CAPITAL EXPENDITURE 2020/21

4.3.1 Members approved the 2020/21 General Fund capital programme totalling £36.2Million at the March Executive and subsequently updated at the June Executive. This report identifies a net increase in the budget of £517K to £36.7Million as detailed in Appendix A arising from revised delivery dates of schemes.

4.3.2 The 2020/21 programme has increased by £517K (net) mainly due to the slippage from 2019/20 of £3.9Million (See table under 4.1.2 and chart under 4.1.3), and further slippage from 2020/21 to future years of £3.3Million. £2.2Million of the slippage from 2019/20 was due to delays attributable to Covid-19, as is the slippage into 2021/22 including revised delivery dates of Housing Development schemes.

4.3.3 The 2020/21 capital programme includes a number of schemes that arose from the stock condition survey, and were deemed urgent on Health & Safety grounds or were necessary planned preventative works to keep the Council assets operational. The budgets were based on the limited financial resources, and are only a proportion of the works bid for. A deferred works reserve of £200K was included in the capital strategy should any costs become unavoidable. The total value of works deferred totalled £1.278Million for 2020/21, and the £200K deferred works reserve represents 16% of the total in 2020/21. This means there is an element of managed risk with the

Strategy. Emerging urgent needs will be monitored and considered by the Assets and Capital board.

4.3.4 The June Executive removed £125K from the General Fund Capital Programme, as approved in the report 'Review of the Medium-Term Financial Strategy and Impact of Covid 19 on the Council's General Fund Revenue Budget'. Since the approved removal of the £25K CCTV camera replacement budget, three of the cameras have failed and need to be replaced as they are beyond economical repair. Officers are requesting that £15K is allocated from the deferred works budget to enable this purchase (as per the table below in paragraph 4.3.5)

4.3.5 The changes to the 2020/21 budget are summarised by service areas in the table below:

General Fund - Schemes budget changes and impact on 2020/21	Q3 Approved working budget	Spend re-profiled from 2019/20	Reductions in the revised MTFS	Other 2020/21 budget changes	Spend re-profiled to future years	Total 20/21 Budget
	£	£	£	£	£	£
Stevenage Direct Services	5,191,900	(51,253)		(10,000)	(304,237)	4,826,410
Housing Development	5,760,730	1,354,008			(2,893,439)	4,221,299
Finance and Estates	13,587,350	412,120				13,999,470
Corporate projects, Customer Service & Technology	620,980	322,059				943,039
Housing and Investment (General Fund Assets)	950,350	86,396				1,036,746
Regeneration	9,280,590	1,651,263				10,931,853
Communities and Neighbourhoods	420,260	98,529	(25,000)	15,000	(21,361)	487,428
Planning and Regulatory	186,160	47,130	(100,000)		(49,160)	84,130
Deferred Works	200,000	0		(15,000)		185,000
TOTAL GENERAL FUND IMPACTS 2020/21	36,198,320	3,920,252	(125,000)	(10,000)	(3,268,197)	36,715,375

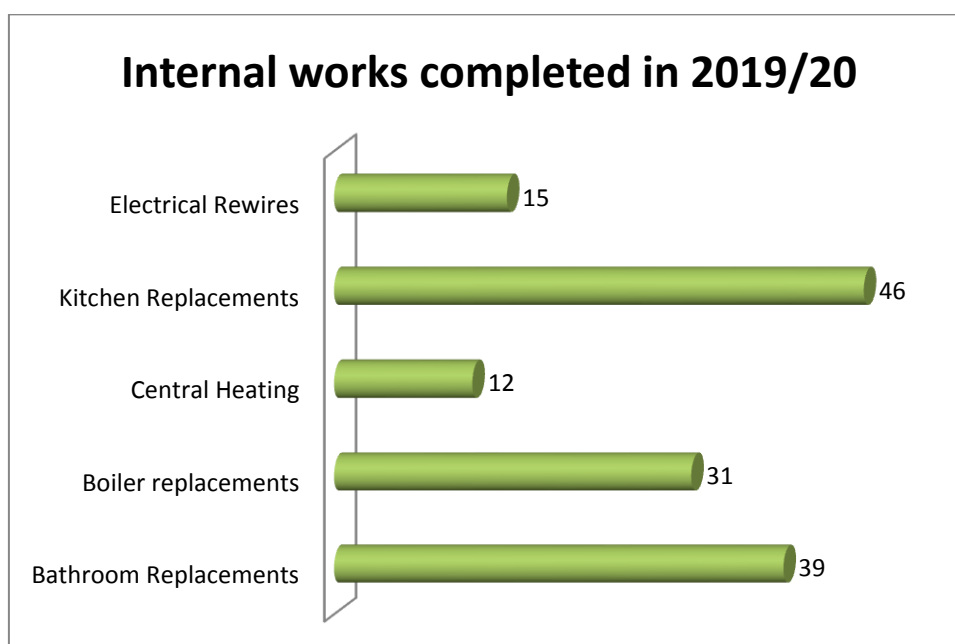
4.3.6 The 2020/21 budget of £14.0Million for Finance and Estates includes a £13.2Million budget for Investment Property. The outcome of a consultation into the lending arrangements for PWLB funding is awaited. It may be difficult to invest this budget if the government changes the rules regarding the use of PWLB for investment properties.

4.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.4.1 The actual outturn for 2019/20 HRA capital spend was £0.4Million higher than that projected in the 3rd Quarter report. The main reason for this was greater advancement of the refurbishment contracts than anticipated, having slipped £3.2Million of spend at 3rd Quarter. The following table identifies the areas of underspend, overspend and slippage.

Housing Revenue Account	Q3 Approved Budget	Actuals 2019/20	Variance to Budget	(Slippage)/ Acceleration to/from 2020-21
	£	£	£	£
Major Works	18,018,830	18,468,603	449,773	449,773
Special Projects & Equipment	155,000	5,505	(149,495)	(149,495)
New Build and Housing acquisitions	11,101,300	11,517,135	415,835	415,835
IT Including Digital Agenda	666,330	395,291	(271,039)	(272,999)
TOTAL	29,941,460	30,386,534	445,074	443,114

4.4.2 In 2019/20 the **major works programme** has delivered 130 window replacements, 220 door replacements and 39 external wall insulation improvements. Further capital improvement works were carried out internally to properties as shown in the following chart:



4.4.3 In addition to the works carried out internally to properties, the works carried out externally and to flat blocks contributed to homes meeting the decent homes standard. The number of properties where works have been carried out to bring the property up to the decent homes standard (the standard by which each element i.e. kitchen, bathroom, electrics, windows, roof etc. whose condition is measured) in 2019/20 was 561. The number of non-decent properties was 1,994 at year end against the target of 1,913. The short-fall is as a result of properties becoming non-

decent during the year and delays in contract award along with the impact of Covid 19 in the final quarter.

- 4.4.4 **New build and acquisitions programme:** The developments at March Hare and Gresley Way were completed in 2019/20, bringing 29 additional new build homes to Stevenage residents. In addition 35 of houses were purchased from the open market increasing the housing stock of the HRA by 64 units.
- 4.4.5 Work on the Kenilworth development was temporarily halted during Covid19 and there is a delay to the programme. Contractors are now on site. Slippage has been built into the budgets in Appendix B.
- 4.4.6 The Ditchmore Lane development (private sale units) were due to be completed by March 2020, however this was delayed due to Covid-19 measures, and the unspent budget has been slipped to 2020/21 and work will continue on site. Currently there are accepted offers on all but one of the private sale units and the marketing agent reports strong interest in the remaining unit.
- 4.4.7 Work was due to start on a number of other development sites in 2020/21, the budgets in Appendix B now reflect an expected start of 2021/22.

4.5 HOUSING REVENUE ACCOUNT CAPITAL RESOURCES

- 4.5.1 The capital resources available to support the future capital programme (as at 31 March 2020) is £14.478Million. The resources are summarised in the following table:

Housing Revenue Account Resources	Brought Forward	Received in Year	Used in Year	Available to Fund Future Year Expenditure
	£	£	£	£
Major Repairs Reserve (Depreciation)	(10,919,793)	(11,484,009)	18,030,186	(4,373,617)
Usable Capital Receipts	(126,472)	(107,234)	233,705	(0)
One for One Receipts for HRA, General Fund and 141 repayment	(10,006,060)	(4,460,537)	4,471,607	(9,994,989)
Debt Provision Receipts	(0)	(1,194,165)	1,146,731	(47,434)
S20 and Other contributions	(765,717)	(1,480)	705,107	(62,091)
Borrowing	0	(7,056,508)	7,056,508	0
TOTAL	(21,818,043)	(24,303,933)	31,643,844	(14,478,132)

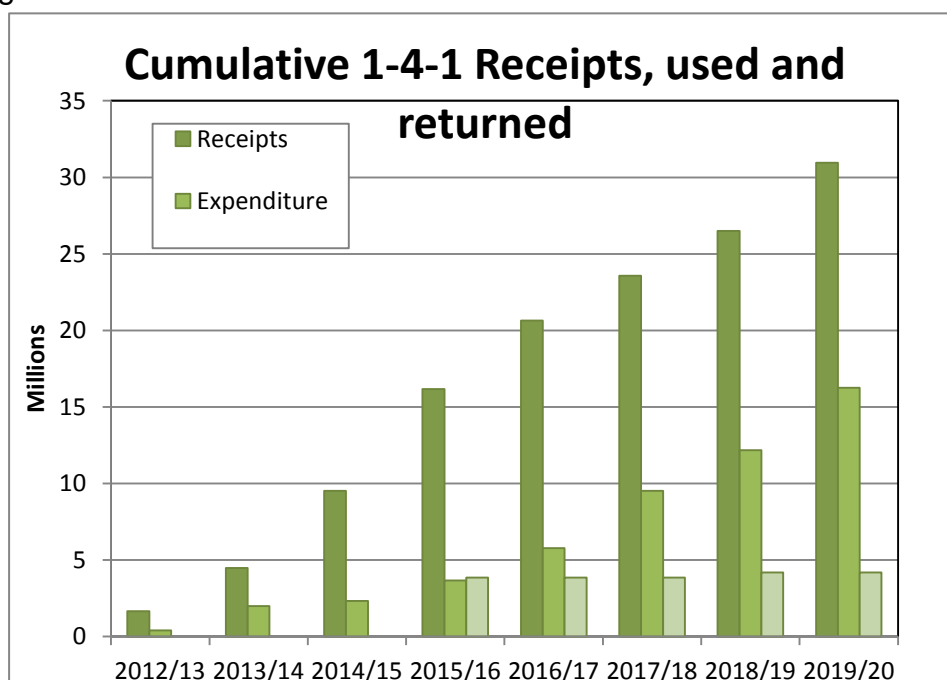
Numbers in brackets () =available funds/funds received in year, Positive numbers = spent in year

- 4.5.2 There were 41 homes sold under Right to Buy (RTB) during 2019/20, one being exempt from pooling. This refers to a property built or acquired since July 2008 under the housing development programme, for which the Local Authority can retain 100% of the RTB receipt, as an incentive to invest in new housing stock. This is the second such exempt RTB sale for the Council. The resulting 2019/20 HRA net capital receipts were £6.122Million, and the allocation of this receipt including the pooling payment to the government is shown in the following table:

Housing Revenue Account - 2019/20 Right to buy sales		
	£	£
Sale Proceeds 41 sales		6,920,417
RTB discounts repaid in year subject to pooling		120,067
Total Gross proceeds		7,040,484
less admin fee		(53,300)
Less pooling payment to Government		(864,621)
Net proceeds		6,122,563
Net proceeds allocated as follows:		
LA share	360,637	
1 for 1 receipt	4,457,274	
One property sold (exempt from pooling)	107,224	
Debt receipts	1,197,428	
		6,122,563

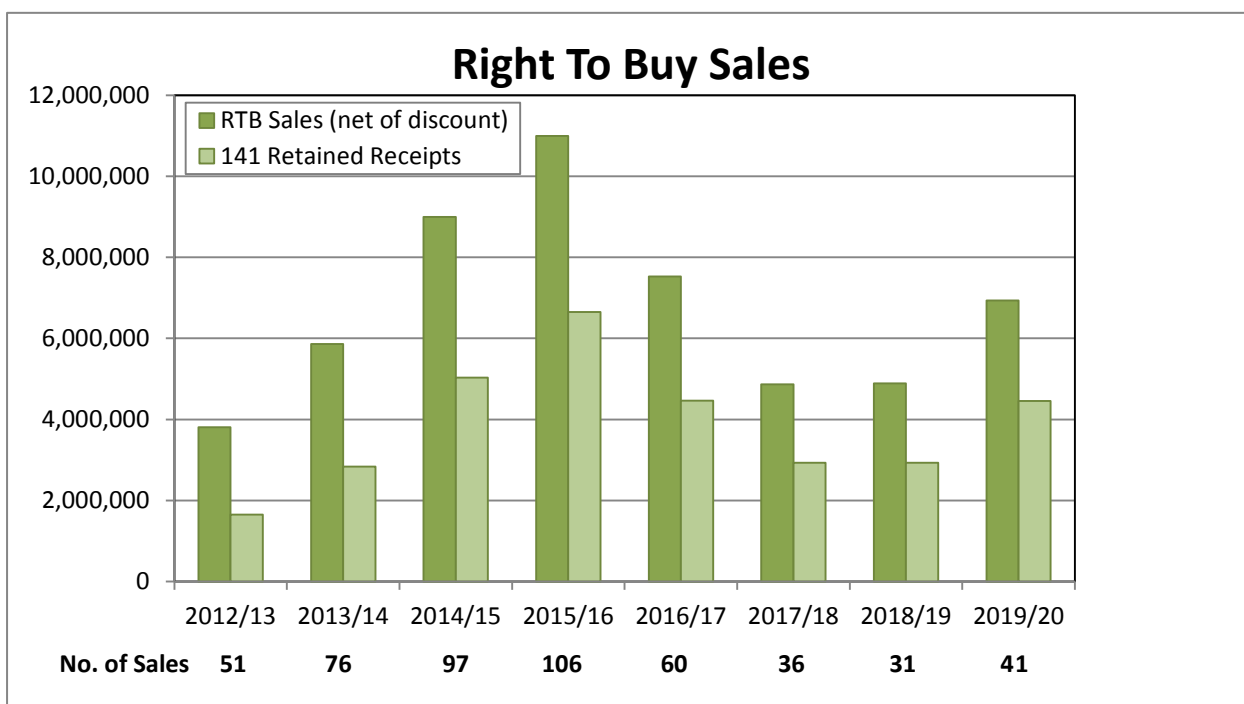
4.5.3 The HRA RTB receipts used in year to finance the capital works and grant aid registered housing providers was £4.099Million leaving a balance of £9.995Million of 1-4-1 receipt available to fund 30% of future new build schemes such as Kenilworth and Symonds Green. Debt receipt in year totalled £1.197Million, almost all of which was used in financing elements of the HRA 2019/20 capital programme.

4.5.4 There is ordinarily a three year deadline to spend the receipts, and in 2019/20 £197K was due to be returned on 30/4/20 for the final quarter of 2019/20. However lobbying took place with central government to take into consideration the impact of Covid-19 on the ability to build and purchase replacement homes and spend the receipts within the deadline. This has resulted in a temporary relaxation of the rules. In response government has enabled LA's to apply for an extension of the three year deadline to December 2020, for receipts to be used in quarters one to three of 2020/21. Officers are currently looking at the capital programme to see if the proposed time extension is sufficient, or if a further approach to government is required. The chart below shows the actual cumulative one for one receipt received, used and returned receipts to the government.



4.5.5 To mitigate the possibility that 1-4-1 receipts will need to be returned in 2020/21 officers have requested a budget reallocation of £800K from the Redcar Drive scheme to Open Market Acquisitions to bring forward eligible expenditure. In addition there is slippage of £670K in the General Fund capital programme for grants to registered housing providers and officers continue to monitor the position.

4.5.6 Right to buy sales have fallen from the peak of 106 sales in 2015/16 to 41 sales in 2019/20 as shown in the chart below. During the Covid19 lockdown house moves were suspended and now RTB sales were completed in the first quarter. One RTB sale has been completed as at 26th June this year, compared to six at this time last year. The estimated total of RTB sales for 2020/21 was 35, and this has now been revised downwards to 24, with the consequent reduction in resources.



4.5.7 The Covid-19 pandemic impacts may be ongoing for some time, and could have an impact on capital resources available to support the future HRA capital programme. As per paragraph 4.5.6, the forecast number of Right to Buy sales has been reduced from 35 to 24, and the income forecast revised accordingly. There could also be reductions to other income sources, including recovery of Section 20 notices. However borrowing already identified in the HRA capital programme has become cheaper as Bank of England base rates fell as a consequence of Covid19, which provides some mitigation for additional costs and lost income arising from the impact of Covid19. Officers continue to work on the financial impacts of the pandemic.

4.6 HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2020/21

4.6.1 Members approved the 2020/21 Housing Revenue Account capital programme totalling £54.0Million at the March Executive. This report identifies a net decrease in the budget by £443K to £53.6Million. The changes to the 2020/21 budget are summarised in the table below:

Housing Revenue Account - Scheme budget changes and impact on 2020/21	Q3 Approved working budget	Spend re-profiled (to)/from 2019/20	Other net 2020/21 Budget changes	Spend re-profiled to future years	Total 20/21 Budget
	£	£	£	£	£
Major Works	23,370,440	(449,773)			22,920,667
New Build and Housing acquisitions	29,884,480	(415,835)			29,468,645
Special Projects & Equipment	0	149,495			149,495
IT Including Digital Agenda	798,240	272,999			1,071,239
TOTAL HOUSING REVENUE ACCOUNT IMPACTS 2020/21	54,053,160	(443,114)	0	0	53,610,046

4.6.2 As mentioned in paragraph 4.4.5 the Kenilworth redevelopment scheme has been delayed, as are other schemes due to commence in 2020/21. The schemes are part funded by ring fenced 1-4-1 receipts (para 4.5.3 and 4.5.4) and any slippage on spend may exceed the three year deadline and require a return of these receipts, even with the temporary relaxation of the deadline to December 2020. As per paragraph 4.5.5, to mitigate this risk officers have requested a budget reallocation of £800K from the Redcar Drive scheme to set up a new Open Market Acquisitions budget for 2020/21.

4.7 Property Appropriations between General Fund and HRA

4.7.1 Assets may be transferred between General Fund and Housing Revenue Account when they are no longer required for the purpose for which they were previously held, in order to allow the most appropriate use of these assets. For example a former underused General Fund asset could be redeveloped for new HRA properties. However in doing so no capital receipt is gained for the Council. The value of the land swap is recognised in the capital financing requirement (CFR) for each fund (ie the level of indebtedness of each fund), while overall the Council's CFR remains unchanged.

4.7.2 An appropriation from the General Fund to the HRA results in;

- i) an increase in the HRA's CFR
- ii) a decrease in the General Fund's CFR
- iii) the loss of a capital receipt and/or rental for the asset transferred to the HRA.

4.7.3 Appropriation between the funds needs Member approval. No such approvals are sought in this report.

4.7.4 Update on previously approved appropriations. The Executive previously agreed appropriations between the General Fund and the HRA:

Symonds Green Annex from the GF to the HRA £444,553
North Road from the HRA to the GF £650,000

The schemes are now progressing and the appropriations have taken place in 2019/20.

5. IMPLICATIONS

5.1 Financial Implications

5.1.1 This report is financial in nature and consequently financial implications are included in the above.

5.2 Legal Implications

5.2.1 None identified at this time.

5.3 Equality and Diversity Implications

5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund and HRA capital programme. None of the budget changes reported will change any existing equalities and diversity policies and it is not expected that these budget changes will impact on any groups covered by statutory equalities duties.

5.3.2 Schemes contained within the capital programme will have an EQIA particularly those relating to housing schemes.

5.4 Risk Implications

5.4.1 The significant risks associated with the capital strategy are largely inherent within this report.

5.4.2 If the Housing & Investment team's procurement of HRA contracts is delayed it could lead to works not being completed to the current profile.

5.4.3 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum, and these schemes are monitored by Assets and Capital Board.

5.4.4 There is a risk in achieving the level of qualifying HRA spend to fully utilise retained one for one receipts. Should qualifying schemes slip or new schemes fail to be developed the three year deadline for spending these receipts will not be met and will have to be returned to the Government plus interest (base rate plus 4%). Should the new schemes and/or purchases slip or fail to be delivered there is a risk that one for one receipts will have to be returned and interest payments made.

5.4.5 There are risks around achieving the level of disposals budgeted for. The estimated dates of receipts very much rely on a series of steps being successful at estimated dates. The level of receipts for the General Fund is a significant source of funding for its capital programme. The Council manages this risk by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

5.4.6 There is considerable uncertainty about the potential for the Council to receive further government funding. The position regarding COVID losses and the cost of recovery is also uncertain at this time. The Council must have a Strategy in place to address the financial impacts due the likely level of losses and the increased certainty that income

levels are going to be challenging to achieve for some time to come. This would have an impact on the Capital Programme as well as the Council's revenue budgets.

5.5 Climate Change Implications

- 5.5.1 The Council's buildings across the town do not meet the climate change agenda in terms of energy efficiency or divestment of use of fossil fuels and in their current condition they would undermine the Council's attempt to be carbon zero by 2030.
- 5.5.2 However, there is an opportunity with the local asset review agenda to have design principles built into renewed assets in terms of energy efficiency and sustainable energy sources. This should be a core principle of any future designs arising from the local asset reviews. There would be a further benefit of reduced energy costs.
- 5.5.3 The climate change agenda is far wider than just the buildings the Council uses, the Council are also examining the vehicle fleet the Council uses and consideration will be given to reducing the carbon impact of the fleet moving forward.

BACKGROUND DOCUMENTS BD1 - Capital Strategy Update January 2020 (Executive)
BD2 - Capital Strategy February 2020 (Council)
BD3 - Capital Strategy March 2020 (Executive)

APPENDIX A - General Fund Capital Programme
B - HRA Capital Programme