Part I – Release to Press

Agenda item:

Meeting	**EXECUTIVE**
Portfolio Area	Resources
Date	**12 July 2022**

2021/22 CAPITAL EXPENDITURE OUTTURN
KEY DECISION

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1. PURPOSE

To update Members concerning the:

1.1 Outturn position on the 2021/22 capital programme including the resources used to fund capital expenditure.

1.2 Council's Capital Strategy and any changes to the 2022/23 and future year's capital programme.

1.3 Actual 2021/22 Minimum Revenue Provision (MRP) and the MRP for 2022/23.

1.4 Resources available to fund the Capital Strategy.

2. RECOMMENDATIONS

That the:

2.1 2021/22 General Fund capital expenditure outturn (£24.106Million) as summarised in paragraph 4.1.1 be noted, (subject to the completion of the 2021/22 external audit of accounts).

2.2 2021/22 HRA capital expenditure outturn (£36.727Million) as summarised in paragraph 4.4.1 be noted, (subject to the completion of the 2021/22 external audit of accounts).

2.3 Funding applied to the 2021/22 General Fund capital programme, as summarised in paragraph 4.2.1, be approved.

2.4 Funding applied to the 2021/22 HRA capital programme, as summarised in paragraph 4.5.1, be approved.

2.5 2022/23 General Fund capital programme increase of £4.776Million, as set out in paragraph 4.3.1, be approved.

2.6 2022/23 HRA capital programme increase of £6.867Million as set out in paragraph 4.6.1, be approved.

3. BACKGROUND

3.1 The 2021/22 capital programme was last approved by Members at the March 2022 Executive as part of the 3rd Quarter monitoring report. At the March Executive the 2021/22 revised General Fund capital programme was projected to be £28.987Million and the 2021/22 revised HRA capital programme was projected to be £43.594Million, a total of £72.581Million.

3.2 The Capital Strategy included measures to improve the financial resilience of the General Fund by reducing the revenue resourcing of the capital programme, helping to mitigate the cost of COVID to the Council, inflation and the revenue funding gap. These include increasing capital receipts and the application of capital grants.

3.3 Due to constraints on level of financial resources, the General Fund capital programme still continues to be limited to priority works and third party funded schemes.

3.4 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.

3.5 In January 2021, the government consulted on amendments to the Accounts and Audit Regulations 2015 to implement recommendation, to extend the deadline for publishing audited local authority accounts to 30 September from 31 July. The deadline was extended for two years from 2020/21 with a review at that point to see whether there is a continued need to have an extended deadline. These regulations came into force on 31 March 2021.

3.6 The deadline for unaudited accounts was extended to the 31 July from 31 May. However even with the extension the production of the pre-audit accounts has been impacted by the delay to the 2019/20 and 2020/21 audited account process, gaps in key personnel and the impact of additional financial monitoring as a result of COVID.

3.7 This report therefore includes unaudited outturn figures which may be subject to change following the completion of the external audit for the financial years 2019/20 to 2021/22.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2021/22 GENERAL FUND CAPITAL PROGRAMME

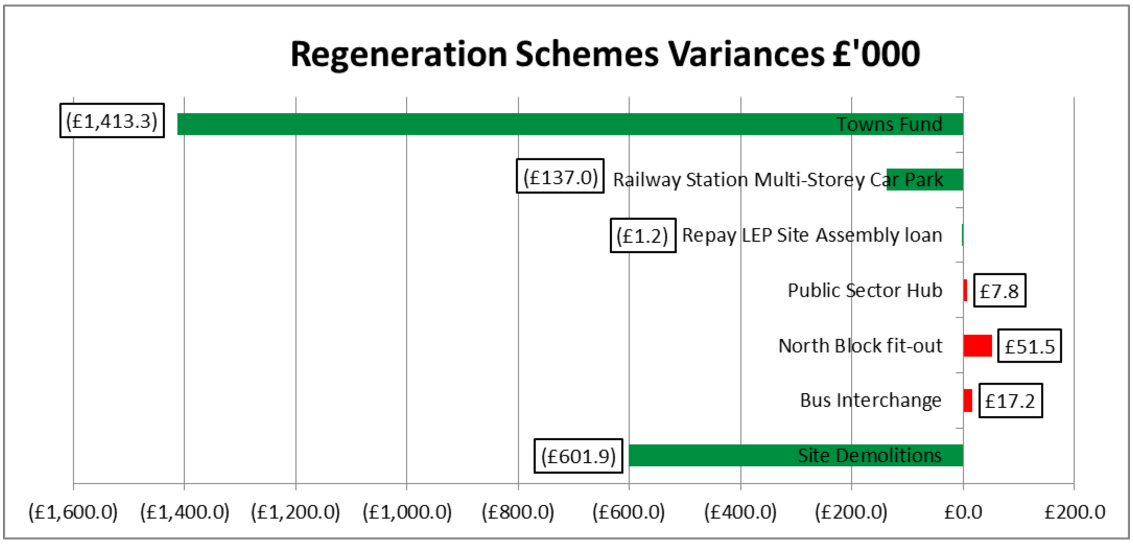
4.1.1 The actual outturn for General Fund capital expenditure was £4.881Million lower than that projected in the March 2022 report (as summarised below). All of the variance is due to slippage / acceleration of scheme expenditure, with the exception of a saving of £0.4K against the Town Centre Ramps Improvements.

Table One General Fund Capital Programme	2021/22 £'000			2022/23 £'000		
	Working budget	Actual	Variance	Slippage from 2021-22	Working budget	Revised budget
Stevenage Direct Services	£2,684.1	£1,812.3	(£871.8)	£766.7[1]	£4,669.0	£5,435.7
Housing Development	£16,303.0	£15,078.4	(£1,224.6)	£1,224.6	£11,408.7	£12,633.3
Finance and Estates	£550.9	£232.2	(£318.7)	£318.7	£2,868.6	£3,187.3
Digital & Transformation	£304.6	£338.4	£33.8	(£33.8)	£769.1	£735.3
Regeneration	£8,279.5	£6,202.6	(£2,076.9)	£2,076.8	£8,100.0	£10,176.8
Communities and Neighbourhoods	£364.4	£126.0	(£238.4)	£238.4	£735.0	£973.4
Planning and Regulatory	£417.9	£316.0	(£101.9)	£101.9	£270.0	£371.9
Deferred Works Reserve	£82.6	£0.0	(£82.6)	£82.6	£1,035.0	£1,117.6
Total	**£28,987.0**	**£24,105.9**	**(£4,881.1)**	**£4,775.9**	**£29,855.4**	**£34,631.3**

1 £105K slipped into 23/24

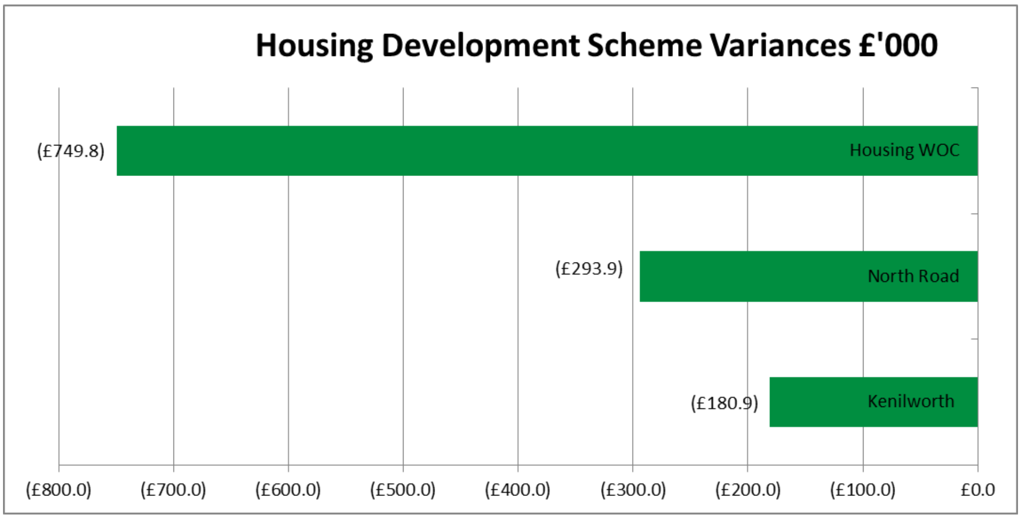
4.1.2 43% of the variance relates to **Regeneration** budgets. Members will be aware that a significant part of the Regeneration scheme programme now relates to Towns Fund. A 5% forward payment of £1.875Million was received from the Department for Levelling Up, Housing & Communities (DLUHC) against the total approval of £37.5Million halfway through 2021/22. This was to fund early stage activity in project development, the business plans for which were presented to Executive for approval in February 2022. The underspend was due

- Minor delay in commencing the early stage activity.
- Underspend on the demolitions due to the programme of works being extended following longer lead-in times with statutory undertakers (utilities) following the Covid-19 pandemic. With the utilities work having to be carried out before demolition.



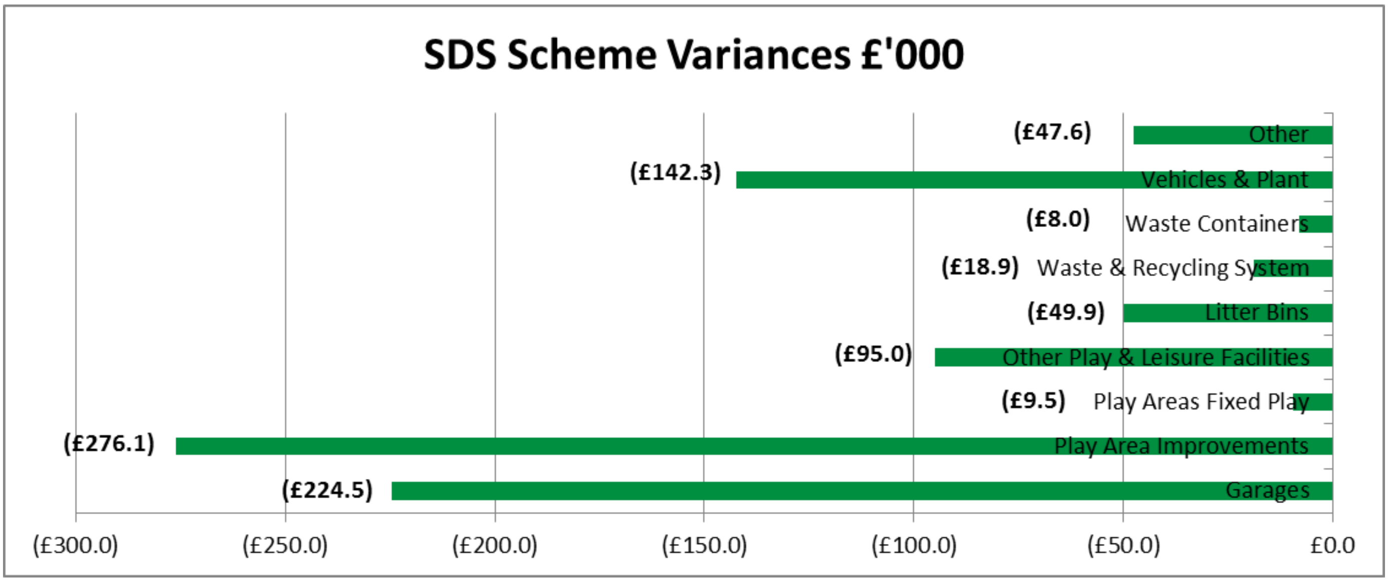
4.1.3 Underspend totalling 25% relates to **Housing Development** budgets. The largest element of the underspend is against the loans to the Housing Wholly Owned Company (WOC), Marshgate Ltd, which are drawn down when suitable properties / development opportunities arise. This is spent in Q1 of 2022/23. The remainder of the variance relates to the two joint General Fund / HRA development sites at

Kenilworth and North Road. Members should note that sales of completed units at both Kenilworth and North Road began during 2021/22.



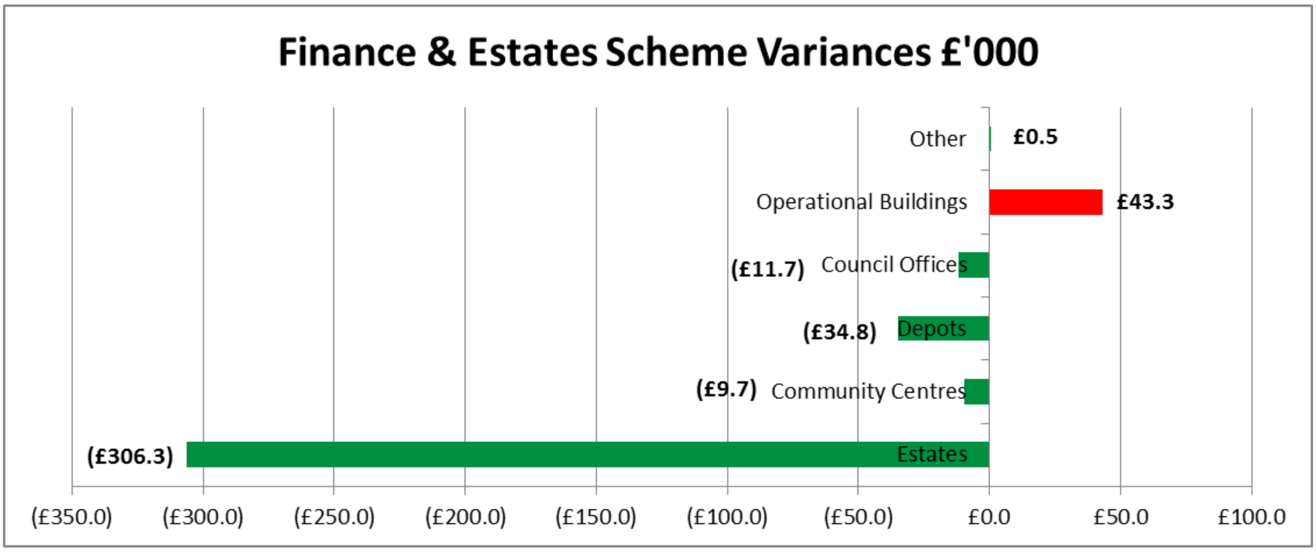
4.1.4 **Stevenage Direct Services (SDS)** budgets relate to 18% of the variance.

- The largest element of the underspend is against the multi-annual Play Area Improvements Programme, the budget programmed to be delivered in 2022/23 at Quarter 3 due to problems with material supplies.
- The Garages Programme also has a significant underspend, due to hardstand work on sites being delayed because of weather conditions. This work will be completed during Q1 and Q2 of 2022/23.
- A number of vehicle purchases slipped from 2021/22 to 2022/23 due to long lead times. The difference of £105K between the 2021/22 underspend and the revised 2022/23 budgets identified in Table One was due to a delay in replacing the ro-ro (hook lift) lorry, with a 48 week lead in time.



4.1.5 **Finance & Estates contributed to** 7% of the variance. The largest element of the underspend is against the Commercial Properties Refurbishment budget, which is charged to the General Fund by the HRA for works undertaken as part of the Major Repairs Contract relating to the General Fund shop share of works below flats.

Since 2021/22 capital closed it has been identified that works to the value of £129K were chargeable to General Fund capital and will be recharged in 2022/23. It has been confirmed by the service that the remaining underspend is required in 2022/23.



4.1.6 The remaining net variance of 8% is across the other Services:

- Communities & Neighbourhoods 5% (mainly due to slippage in the works to SALC and the Swim Centre),
- Planning & Regulatory 2% (this includes delays due to the need to co-ordinate works with Herts County Council at Coreys Mill Lane and an underspend of under £0.5K on Town Centre Ramps Improvements which has been given up as a saving),
- Deferred Works Reserve 2% (see paragraph 4.1.7),
- Digital & Transformation -1% (the net position is due to IT Partnership activity, on which there was a higher level of hardware replacement than estimated at Quarter 3 by the end of the financial year, use of the Capital Reserve brought forward from 2022/23 to fund this).

4.1.7 The **Deferred Works Reserve** budget of £82.6K has not needed to be drawn upon, however it is anticipated that there will be further pressures on the capital programme in 2022/23 and the budget is requested to be slipped into that year, increasing the 2022/23 budget to £1.118Million, see paragraph 4.3.2.

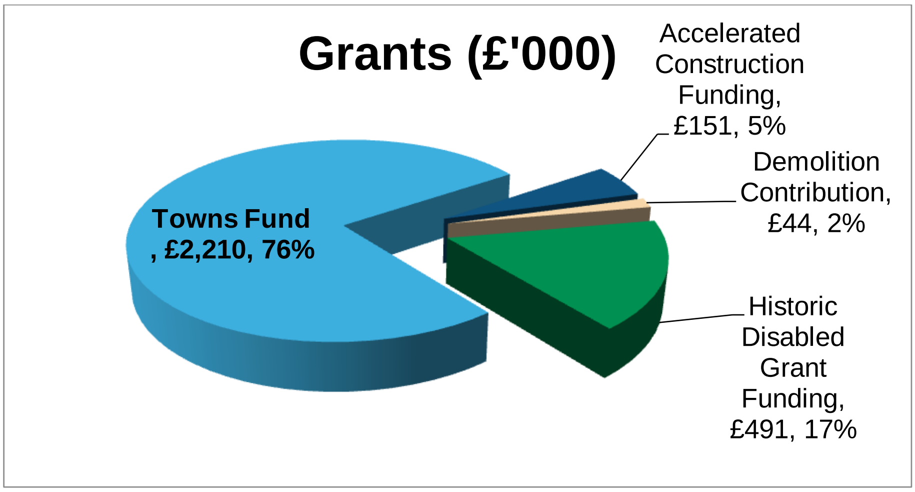
4.2 2021/22 GENERAL FUND CAPITAL RESOURCES

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

Table Two: General Fund Resources	**Brought forward**	**Received in Year (for capital)**	**Used in Year**	**Used to repay ST borrowing**	**Available to Fund Future Year Expenditure**
	£'000	£'000	£'000	£'000	£'000
Usable Capital Receipts	(£999.6)	(£6,115.7)	£2,925.6	£548.7	(£3,641.0)
Usable Capital Receipts ring fenced for Regeneration	£0.0	(£5,078.4)	£616.8	£0.0	(£4,461.6)
One for One Receipts- contribution from HRA	(£65.0)	(£367.9)	£0.0	£0.0	(£432.9)
Section 106 Receipts	(£102.3)	(£9.3)	£100.6	£0.0	(£11.0)
Grant and Other Contributions General Fund	(£2,767.5)	(£2,822.0)	£2,693.5	£0.0	(£2,896.0)
Capital reserve	(£1,328.3)	(£250.0)	£1,534.0	£0.0	(£44.3)
LEP Funding	£0.0	(£3,559.4)	£3,559.4	£0.0	£0.0
RCCO (includes use of revenue reserves)	(£279.9)	£0.0	£222.6	£0.0	(£57.3)
Revenue - New Homes Bonus (available for capital)	(£410.0)	£0.0	£105.0	£0.0	(£305.0)
Short Term Prudential borrowing	£0.0	(£483.6)	£483.6	£0.0	£0.0
Prudential borrowing	£0.0	(£11,864.8)	£11,864.8	£0.0	£0.0
Total	**(£5,952.6)**	**(£30,551.1)**	**£24,105.9**	**£548.7**	**(£11,849.1)**

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

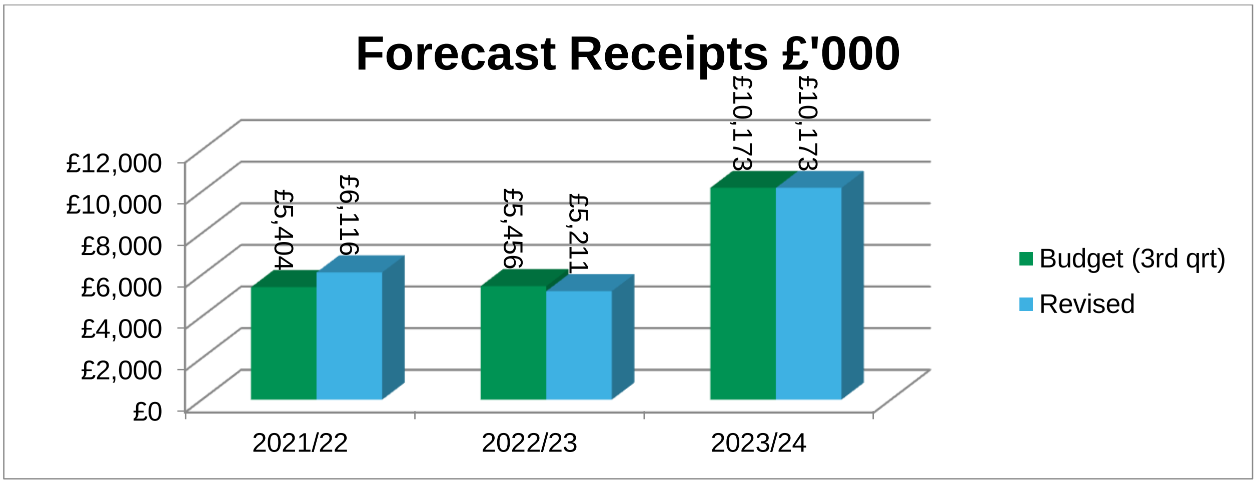
4.2.2 The most significant capital funding resources as at 31 March 2022 were grants and contributions (£2.9Million), consisting of grants as set out in the chart below. These are either committed or ring fenced to schemes, with the exception of historical Disabled Facilities grant (DFG) balances which could be used by the Hertfordshire Homes Improvements Agency (HHIA) if/when in year resource allocations fall short. *(For note: DFG allocations have been increasing in the last few years and have not been fully spent by the HHIA).*



4.2.3 The 2021/22 General Fund capital receipts received in year were £6.116Million compared to budgeted receipts of £5.404Million, this is £712K higher than budgeted. The position for 2021/22 and 2022/23 are summarised below.

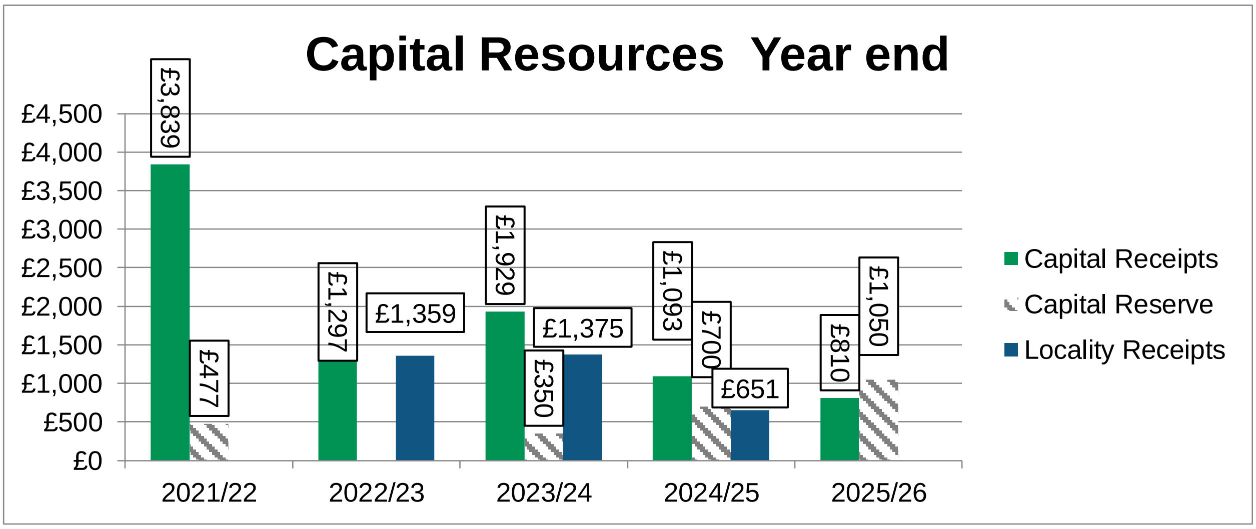
Table Three: Capital Receipts	**2021/22**	**2022/23**
	£'000	£'000
Budget (quarter 3)	(£5,404)	(£5,456)
Changes:		
Sales 2021/22 brought forward from future years	(£587)	£587
Increased value North Road receipts	(£86)	
Net Garage Sales		(£332)
Additional minor land sale	(£20)	
Pre-sale costs variation	(£19)	(£10)
Total Adjustments	(£712)	£245
REVISED RECEIPT	**(£6,116)**	**(£5,211)**

4.2.4 The profile of revised capital receipts in year is shown below.



**excludes Locality receipts, Ring-fenced Regeneration and SG1 receipts*

4.2.5 The summary of available capital resources forecast shows that at the end of 2022/23 these are projected to be £2.656Million (see chart below), subject to land receipts of £5.211Million and Locality Receipts of £2.598Million being received as forecast. Any major slippage in receipts will require a review of the programme and funding and will need closely monitored during the year. The position for 2022/23 also includes the assumption that there will be a use of Capital Reserves of £899K which is funded from £372K share from the sale of Right To Buy properties and £350K contribution from 2022/23 revenue underspends. Without these, the projected position at the end of 2022/23 would be £1.757Million, before any slippage in the 2022/23 capital programme, this also means any new additions to the programme need to be careful considered as in previous years.



4.2.6 The capital programme also uses 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 2022/23 onwards is set out in the following table, (this is currently subject to review and the numbers may change).

Table Four: S106 Update							
Available for financing	O/Bal	Received	Available		Used in 21/22	Allocated	remaining
	£	£	£		£	£	£
Affordable Housing	20	302,805	302,825	New Build Programme	(302,825)		0
Children's Play space	14,065	4,405	18,470	Play Areas Fixed Play	(7,471)	(10,999)	0
Outdoor Sports/Open Space Facilities	17,936	4,890	22,826	Play Areas Fixed Play	(22,826)		0
Community / Greenspace / Ecological Infrastructure	70,338		70,338	Green Space Access Infrastructure	(70,338)		0
Parking / Transport	123,760		123,760				123,760
Gardening Club	4,576		4,576				4,576
Arboretum	25,420		25,420	Arboretum development and improvement		(25,420)	0
Biodiversity Net Gain	45,867	220	46,087				46,087
Pedestrian Link	35,000		35,000	North Herts		(35,000)	0
Household Surveys	15,990		15,990	Planning Policy team	(15,990)		0
Air Quality		5,335	5,335	Air Quality Station re-location	(5,335)		0
Total	**352,972**	**317,655**	**670,627**		**(424,785)**	**(71,419)**	**174,423**
COMPLIANCE		3,750	3,750				3,750
MONITORING		750	750				750
	352,972	**322,155**	**675,127**		**(424,785)**	**(71,419)**	**178,923**

4.2.7 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 2021/22 was £195.2K (2020/21, £218.5K) and can be broken down as follows:

- £0K related to regeneration assets (funded from commercial income), there was a review of MRP due to the re-profiling of the asset lives in 2020/21
- £35.1K to investment properties (funded from commercial income)
- £130.7K to general borrowing (funded from General Fund revenue resources)
- £29.4K for the Garage Improvement Programme (funded from the General Fund revenue resources).

4.2.8 In the report to Council on 15 December 2021, approved an additional £200K for the rest of the financial year. No new requests have been received requiring use of these delegated limits, as set out in the table below and the Council delegation has not been required.

Table Five: Executive delegations	Amount requested
	£
Requests against existing funding:	
Executive delegation remaining	51,000
Additional delegation from Council (15 December 2021)	200,000
Total Delegated limit	**251,000**

4.3 GENERAL FUND CAPITAL EXPENDITURE 2022/23

4.3.1 Members approved the 2022/23 General Fund capital programme totalling £29.855Million at the March 2022 Executive. This report identifies an increase as a result of scheme slippage of £4.776Million to £34.631Million as summarised in paragraph 4.1.1.

Capital Contingency

4.3.2 The 2022/23 capital programme included a deferred works reserve of £1.035Million, higher than previously to reflect a number of growth bids for 2022/23 that were placed on hold pending further work. As set out in paragraph 4.1.6 this can be increased further to £1.118Million as the 2021/22 budget of £82.6K was not utilised. This budget is a contingency and can be used to fund any increase in programme costs or for **priority** works that arise in year. This is because of the restricted nature of the current capital programme and associated resources. Emerging urgent needs will be monitored and considered by the Assets and Capital board.

4.3.3 There are some financial capital pressures emerging which may need to draw upon the deferred works reserve and 2022/23 capital receipts. These include:

Table Six: Risk of potential additional capital financing requirements	
Purpose	**£000**
Refurbishment needs for remedial works for garage impacted by asbestos	TBA
Funding for both the estate and fleet in order to help meet the Council's commitment to be carbon zero by 2030	TBA
Digital interventions to support the transformation programme	TBA
Actions arising from the SOCITM review due to conclude in March 2022 and a refresh of the IT Strategy and which would be subject to business cases	TBA
Smaller 180 Litre residual bins for general household waste may need to be purchased, due to the potential for introducing weekly recycling as part of the roll out of separate food waste collections, if there is an increase recycling and reduction in residual waste.	600

Table Six: Risk of potential additional capital financing requirements	
Purpose	**£000**
The 2022/23 growth bid of £100K for Ridlins Athletics represents the minimum work required to maintain operational integrity. There could be a requirement for major capital expenditure within the next three years of circa £900K depending on a long-term review of the site and facilities	900
The impact of the Ukraine and cost of living crisis on materials and new contracted works	**TBA**
TOTAL	**1,500**

4.3.4 These potential cost pressures and any use of the deferred works budget will be updated as part of the 1st quarter update to the September Executive and may require some of the programme being held if funds are not available.

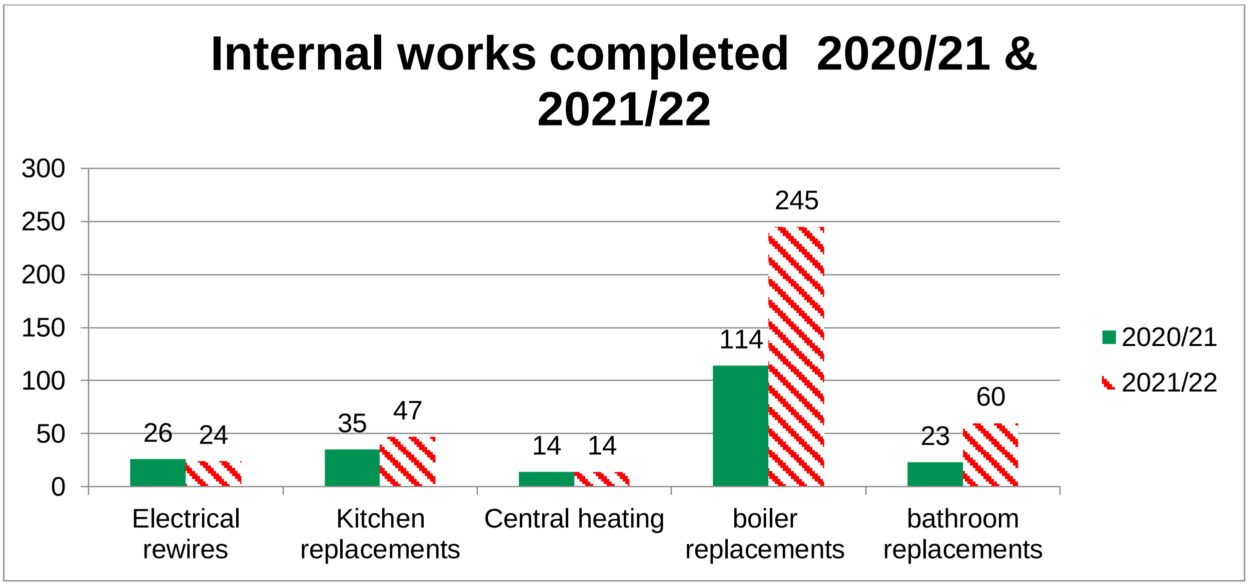
4.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.4.1 The actual outturn for 2021/22 HRA capital spend was £6.867Million lower than the projected 3rd Quarter report. This represents a 15.75% underspend on the 2021/22 £43.594Million programme. The following table identifies the areas of underspend and slippage. 77% of the underspend was against the Housing Investment programme.

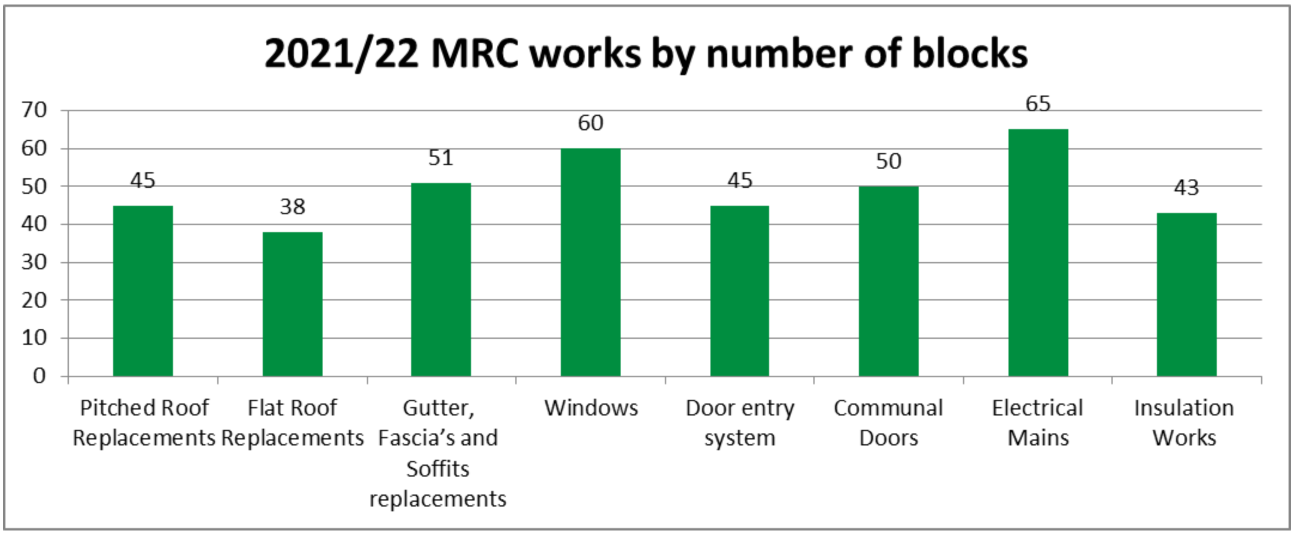
Table Seven	**2021/22 £'000**			**2022/23 £'000**		
Housing Revenue Capital Programme	**Working budget**	**Actual**	**Variance**	**Slippage**	**Working budget**	**Revised budget**
Housing Investment programme	£27,069.1	£21,763.3	(£5,305.8)	£5,305.8	£21,382.2	£26,688.0
Special Projects & Equipment	£159.5	£121.0	(£38.5)	£38.5	£25.0	£63.5
New Build (Housing Development)	£15,791.0	£14,529.5	(£1,261.5)	£1,261.5	£52,892.4	£54,153.9
IT Including Digital Agenda	£574.3	£313.4	(£260.9)	£260.9	£428.3	£689.2
Total	**£43,594.0**	**£36,727.2**	**(£6,866.7)**	**£6,866.7**	**£74,727.9**	**£81,594.6**

Underspend =()

4.4.2 In 2021/22 the **major works programme** has delivered 10 (2020/21: 4) window replacements and 33 (2020/21: 14) door replacements. 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, in 2021/22 the MRC programme delivered works to 94 flat blocks around Stevenage (91 in 2020/21). The works consist of the following:



4.4.4 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 2021/22 was 860. The number of non-decent properties was 2666 at year end against the target of 2680.

4.4.5 **New build and acquisitions programme:** A total of 24 additional homes were provided to Stevenage residents, including the new development at Addison House, as well as the homeless accommodation purchased through the Council's wholly owned company.

4.4.6 Work continues at the Kenilworth Close and Symonds Green sites, which combined will provide over 250 new homes, including 147 units of new affordable accommodation. Planning permission was also granted for schemes at Dunn Close and Oaks Cross, which will provide a further 38 homes for those in need of supported accommodation.

4.4.7 Sales at Ditchmore Lane, Malvern Close and North Road have generated income of over £11.5Million split across the General Fund and HRA with proceeds enabling the delivery of further affordable accommodation and regeneration within the town.

4.4.8 There are proposals for an additional 167 homes which have been consulted on with the public over the course of 2020/21 which will be submitted for Planning this coming year.

4.5 HOUSING REVENUE ACCOUNT CAPITAL RESOURCES

4.5.1 The capital resources available to support the future capital programme (as at 31 March 2022) are £35.6Million. The resources are summarised in the following table:

Table Eight: Housing Revenue Account Resources	Brought Forward	Received in Year	Used to finance HRA capital	Used in year for other purposes	Available to Fund Future Year Expenditure
	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve (Depreciation)	(£14,318.5)	(£12,319.8)	£3,824.9	£0.0	(£22,813.4)
Usable Capital Receipts	(£1,433.5)	(£1,145.8)	£347.5	£918.1	(£1,313.7)
One for One Receipts for HRA, General Fund and 1.4.1 repayment	(£9,459.7)	(£4,014.3)	£4,403.8	£0.0	(£9,070.2)
Debt Provision Receipts	(£0.0)	(£1,199.7)	£1,199.7	£0.0	£0.0
S20 and Other grant contributions	(£959.1)	(£3,551.5)	£1,954.6	£153.0	(£2,403.0)
Borrowing	£0.0	(£24,996.8)	£24,996.8	£0.0	£0.0
TOTAL	**(£26,170.8)**	**(£47,227.9)**	**£36,727.3**	**£1,071.1**	**(£35,600.3)**

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

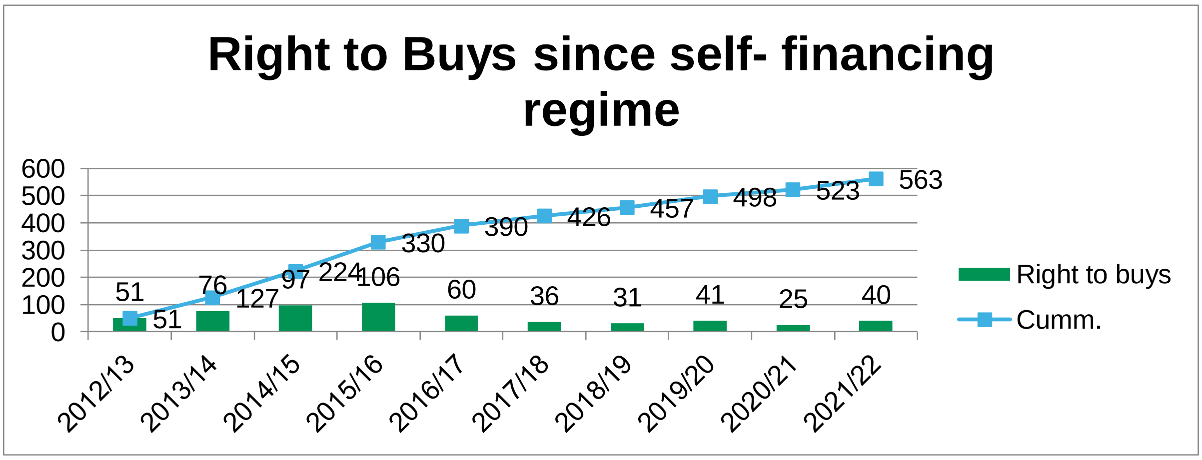
4.5.2 There were 40 homes sold under Right to Buy (RTB) during 2021/22, resulting in net capital receipts of £4.014Million.

4.5.3 The HRA RTB receipts used in year to finance the capital works was £4.404Million leaving a balance of £9.070Million of 1-4-1 receipt available to fund future new build schemes such as Kenilworth and Symonds Green.

4.5.4 2021/22 was the first year under the amended rules for the reporting and use of 1.4.1 receipts. One return was submitted at the end of the year for the whole of 2021/22 and eligible expenditure could be funded with 40% of 1.4.1 receipts rather than 30%.

4.5.5 The current projection for the use and return of 1.4.1 receipts based on the rule changes is that they will be fully utilised with no forecast repayments.

4.5.6 Right to buy sales have fallen from the peak of 106 sales in 2015/16 to 40 sales in 2021/22 as shown in the chart below, it is anticipated this has been impacted by COVID. The estimated total of RTB sales for 2021/22 was 35.



4.5.7 COVID, Brexit and other factors such as geopolitical events may have an impact on the capital programme for some time in terms of:

- Availability of contractors
- Cost of construction materials (which have seen a significant increase)
- An anticipated increase in inflation which could see materials and borrowing rates rise further.

HRA Borrowing

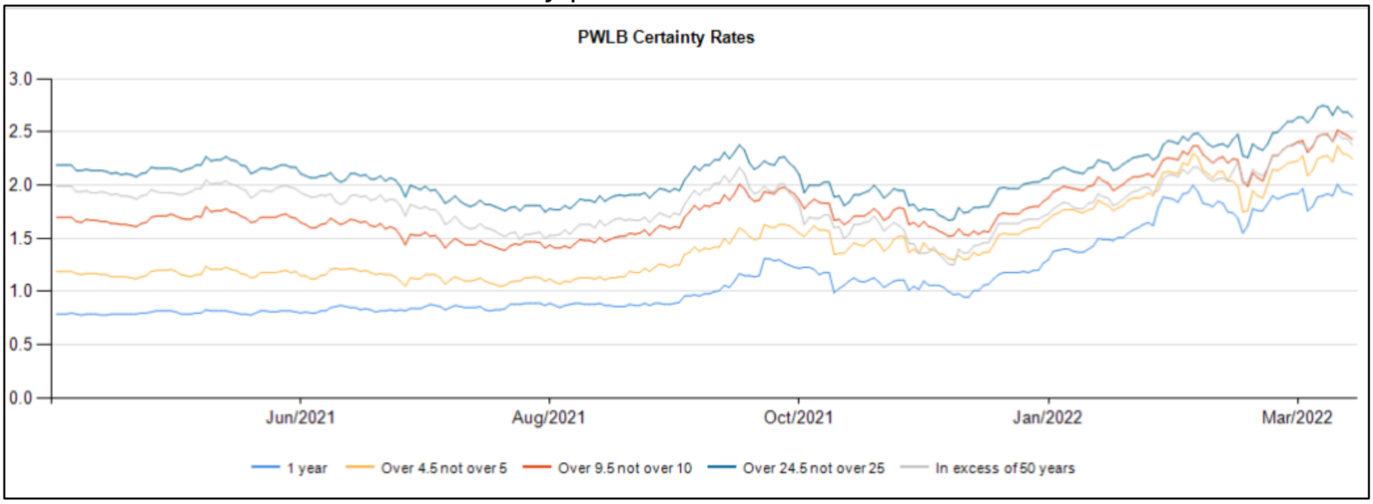
4.5.8 The HRA capital programme included plans to borrow £85.082Million over the period 2019/20 to 2024/25 to fund future capital works, in line with the £85.082Million in the last HRA Business Plan (HRA BP). The HRA programme was funded from £24.997Million of borrowing for 2021/22. Only £9.047Million external borrowing was taken during 2021/22 and this was to replace some of the internal borrowing from prior years. The current position of external borrowing taken is set out in the table below.

Table Nine: HRA debt	Capital Outturn	Capital Forecast	External borrowing	Internal borrowing
2019.20	7,056,508		4,010,000	3,046,508
2020.21	20,857,707		10,000,000	10,857,707
2021.22	24,996,845		9,047,150	15,949,695
2022.23		20,190,458		
2023.24		11,805,248		
2024.25		174,752		
Total new borrowing	**£85,081,518**		**£23,057,150**	**£29,853,910**

4.5.9 Not all the loans were taken externally. Rates have fluctuated considerably since the HRA BP was written and the cost of borrowing will need to be recalculated, whilst interest rates are on an upward trajectory and could curtail the amount available for the HRA capital programme. However there are number of mitigating factors to offset any net increases in interest rates such as:

- Cash flow doesn't dictate the loans need to be taken immediately, leaving time to track rates and borrow at the optimum time, still likely to be higher than current budgeted rates
- The HRA BP can look at a different profile of loans (e.g. different repayment profiles to reduce costs).
- The HRA has an interest equalisation reserve to reduce the impact in the short term

4.5.10 The £62.024Million to be taken over the next few years is being reviewed in terms of recent interest rate fluctuations to see the overall impact. By using internal borrowing when there are sufficient Reserves & Balances, investment interest is lost (this averaged 0.354% in 2021/22) but this avoids the cost of carry, which is the difference between interest that could be earned and external interest payable at a higher rate (the average rate for a 25 year PWLB Certainty Rate loan was 2.10% in 2021/22). However there is a risk that by not locking in rates when they are lower, the overall interest payable over the life of the loan could be higher even when the cost of carry is taken into account. The chart below shows the PWLB Certainty Rates for 2021/22 for a number of different maturity periods.



4.5.11 The HRA capital programme assumes some funding from S20 receipts, (works undertaken on leaseholder properties) which will be used to fund some of the Major Repair Contract (MRC) works totalling £2.25Million for the period 2021/22-2024/25. This will need to be reviewed as part of the HRA BP refresh in terms of any revised profiling and there may be a need to switch funding resources between years.

4.6 HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2022/23

4.6.1 Members approved the 2022/23 Housing Revenue Account capital programme totalling £74.728Million at the March 2022 Executive. This report identifies an increase to the 2022/23 programme of £6.867Million, as a result of scheme slippage as summarised in paragraph 4.4.1, arising from revised delivery dates of schemes. This means the total budget for 2022/23 is £81.595Million.

4.6.2 There is likely to be additional pressures on the HRA capital programme in terms of works to high rise blocks and replacement works to windows, building safety works and decarbonisation of the housing stock. The HRA BP will be on the Executive agenda, later in the financial year.

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 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 There is a risk that the value of land sales is not realised due to the impact of COVID on the confidence on the market or prices are lower than anticipated due to higher material costs linked to BREXIT/COVID and latterly the impact of the war in Ukraine

5.4.3 The level of available receipts is low in comparison to the size of the programme and is reliant on the delivery of key sales which could be impacted as set out above. Should this happen, in-year action may be required to hold expenditure or prudential borrowing may be required increasing the burden to the General Fund.

5.4.4 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.

5.4.5 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.

5.4.6 The risk in achieving the level of qualifying HRA spend to fully utilise retained one for one receipts has been reduced (unlike in previous years) with the change to the one for one receipt rules as set out in previous reports.

5.5 Climate Change Implications

5.5.1 In their current form the Council's buildings do not currently support the climate change agenda in terms of energy efficiency or divestment of use of fossil fuels.

5.5.2 However, there is an opportunity through the local asset review programme to build in design principles to improved / future 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. This should be a core principle of any future designs arising from the local asset reviews which would reduce the associated use and cost of energy.

5.5.3 The climate change strategy includes 8 key themes which were highlighted within the June 2022 Climate Change Update report. Action has been identified against each of these themes.

BACKGROUND DOCUMENTS

BD1 Final Capital Strategy (February 2022 Executive and Council)

Appendices

A - General Fund Capital Programme

B - HRA Capital Programme