

Meeting: EXECUTIVE
Portfolio Area: Resources
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QUARTERS 1 AND 2 MONITORING REPORT (CAPITAL) - GENERAL FUND AND HOUSING REVENUE ACCOUNT

KEY DECISION

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1 PURPOSE

- 1.1 To provide Members with an update on the Council's 2022/23 capital programme for Quarters 1 and 2.
- 1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account (HRA) capital programmes.

2 RECOMMENDATIONS

- 2.1 That capital budget re-profiling of £28.841Million from 2022/23 to future years be approved.
- 2.2 That in-year virement of £100,000 to re-allocate unspent resources to the provision for current programmes within the Stevenage Direct Services Capital Programme be approved.
- 2.3 That in-year virement of £58,000 to re-allocate unspent resources to the provision for current programmes within the Finance & Estates Capital Programme be approved.

3 BACKGROUND

- 3.1 The 2022/23 original capital programme budget was approved by Council on 24 February 2022, General Fund £30.51Million and HRS £64.67Million.
- 3.2 Quarterly revisions to the budgets are agreed by Members at Executive as part of the Council's Capital Monitoring process.

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4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

- 4.1 The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix A and B. It shows the revised budget position inclusive of carry-forwards from 2021/22.
- 4.2 The capital budget for the current financial year is summarised in Table 1 below and provides the latest position reflecting updated programme expenditure profiles as advised by programme managers.

TABLE 1: Capital Programme with Spending Approval

Scheme	22/23 Revised Budget	Reprofiling	Virement	22/23 Forecast Q2	Actuals Q2
	£'000	£'000	£'000	£'000	£'000
General Fund - Schemes					
Stevenage Direct Services	5,436	(1,104)	100	4,432	1,065
Housing Development	12,633	0	0	12,633	748
Finance and Estates	3,187	(385)	58	2,861	521
Digital & Transformation	735	(317)	0	418	19
Regeneration	10,177	0	0	10,177	4,186
Communities and Neighbourhoods	973	0	(100)	873	95
Planning and Regulatory	372	(96)	0	275	25
Deferred Works Reserve	1,118	0	(58)	1,059	0
Total GF Schemes	34,631	(1,902)	0	32,729	6,659
HRA - Schemes					
Capital Programme Excl New Build (Housing Investment)	26,688	0	0	26,688	7,099
Special Projects & Equipment	63	0	0	63	
New Build (Housing Development)	54,154	(26,744)	0	27,410	9,020
Digital & Transformation	689	(195)	0	494	125
Total HRA Schemes	81,594	(26,939)	0	54,655	16,243
Total Capital Programme	116,226	(28,841)	0	87,384	22,902

2022/23 REVISED BUDGET

- 4.3. The 2022/23 revised budget, last approved by Members at the July 2022 Executive as part of the 2021/22 Capital Expenditure Outturn Report was – General Fund £34.631Million and HRA £81.595Million, a total of £116.226Million. This included £11.643Million of budgets carried forward from 2021/22.

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Reprofiling

- 4.4 Reprofiting of budgets are changes regarding the forecast timing of expenditure from the approved programme, between financial years, with no reported increase or decrease in budget requirement.
- 4.5 At quarter two, £28.841Million is to be reprofited from 2022/23 to future years, this represents 25% of the total revised budget.
- 4.6 Table 2 below analyses the budget reprofiling, with explanations below the table for the significant items:

Budget Reprofiting	2022/23	2023/24	2024/25	2025/26	Funding Source
	£'000	£'000	£'000	£'000	
Play Area Improvement Programme	30	(30)			<i>Capital Receipt</i>
Garages	(1,137)	1,137			<i>Capital Receipt and Reserve</i>
Welfare improvements at out based hubs	(10)	10			<i>Capital Receipt</i>
Vehicle/Plant replacement Programme	14	(14)			<i>Capital Receipt</i>
Total Stevenage Direct Services	(1,104)	1,104	0	0	
EPC Surveys	(90)	90			<i>Capital Receipt</i>
Depots: Planned Preventative Works (reroof)	(265)	265			<i>Capital Receipt and Locality Review Receipts</i>
MSCP / Indoor Market guttering	(30)	30			<i>Capital Receipt</i>
Total Finance & Estates	(385)	385	0	0	
Infrastructure Investment	(232)	232			<i>Capital Receipt</i>
Core ICT Equipment for Additional Staff	(65)	65			<i>Capital Receipt</i>
2012 Migration Servers	(20)	20			<i>Capital Receipt</i>
Total Corporate Projects, Customer Services & Technology	(317)	317	0	0	
Off Street Car Parks (Multi Storey Car Parks)	(96)	96			<i>Borrowing</i>
Total Planning & Regulatory	(96)	96	0	0	
HRA - New Build Programme - eligible for 1-4-1	(27,464)	15,122	7,727	4,615	<i>Various</i>
HRA - New Build Programme - ineligible	720	(720)			<i>Various</i>
Total HRA New Build (Housing Development)	(26,744)	14,402	7,727	4,615	
HRA - General IT	(140)	140			<i>Major Repairs Reserve</i>
HRA - CTOC	(55)	55			<i>Borrowing</i>
Total HRA Digital & Transformation	(195)	195	0	0	
TOTAL Budget Reprofiting	(28,841)	16,499	7,727	4,615	

- 4.6.1 Garages (£1.137Million) – The garages programme is being delivered using the MRC contract to ensure works could be started without the need to procure a new contract. However, regulation 72 means expenditure not related to the MRC must be within the 15% allowance permitted by the regulation, therefore the garages work has been capped to £5m so this % is not breached. This has necessitated the need now for a

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further procurement for garage spend. Executive approved a business case in September 2022 to invest part of GIP funding to complete repairs on around 100 garages to bring them into use through minor repairs and improvements.

- 4.6.2 Depots Planned Preventative Works (£265K) – this has been impacted by recruitment challenges related to property, surveying and estates roles in a challenging market, and the need to prioritise the workload. Officers are reprogramming the works, so the roof work will not be undertaken in the winter months due to the weather.
- 4.6.3 Infrastructure Investment (£232K) – The Council currently undergoing major changes to infrastructure namely the VDI (Hosted Desktop) and Network project which are to be completed by the end of the calendar year. Once these projects are completed the next phase of implementation will start firstly with the WIFI project; discussions are already in progress with suppliers.
- 4.6.4 HRA New Build Housing Development (£26.744Million) - The reported underspend was not reduced as part of the budget setting to allow flexibility in switching from planned schemes (if delayed or still in the planning stage) to open market acquisitions. However, this approach to budget projections will be revised going forward to give a more realistic budget position. The level of capital funding for Housing Development and Housing Investment will updated as part of the next iteration of the HRA Business Plan.
- 4.6.5 Members should also note however the impact of continued disruption to supply chains as a result of the war in Ukraine, as well as the continuation of the Lock down policy in China on Covid-19 outbreaks, means the Building Industry is still experiencing a shortage of key materials as well as increasing prices.
- 4.6.6 HRA Digital & Transformation (£195K) – The requirement for older versions of mobile devices needs to be replaced due to compatibility with the new security feature of Office 365 and this combined with supply chain issues means this budget needs to be slipped to next year.

Additional Budget Requests

- 4.8.1 Executive have delegated authority to approve new requests for capital expenditure where there is existing funding of up to £250K, and a further £250K for new capital expenditure where new funding needs to be identified.
- 4.8.2 To assist in the budget setting process, managers have been asked to identify changes to budgets required, including additional budgets, as and when information becomes available. It is hoped that by building up this list, it will result in a lower chance of late budget requests coming through after the budget setting process has concluded. Urgent budget requests for emergency works may still arise at any time of the year and will continue to be dealt with on a case-by-case basis.

2022/23 Forecast and Expected Outcomes

Actuals

- 4.9 The actual spend as at Quarter 2 was £22.902Million excluding staff recharges which will be processed in the coming months. This represents 26% of the revised budget for 2022/23.

Capital Financing

4.10 Table 3 sets out the current financing position for the 2022/23 to 2025/26 Capital Programme.

TABLE 3 Revised financing of the capital programme:

Capital Programme Financing	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000
External Sources- Grants & Contribution	6,383	3,916			10,299
SBC Resources-Reserves & Capital Receipts	14,567	10,284	1,939	283	27,073
Borrowing	11,779	2,007			13,786
Total General Fund	32,729	16,207	1,939	283	51,158
External Sources- Grants & Contribution	8,367	1,130	568		10,065
SBC Resources-Reserves & Capital Receipts	36,132	26,839	28,076	31,222	122,268
Borrowing	10,157	23,814	175		34,146
Total HRA	54,655	51,783	28,818	31,222	166,479
Total Programme	87,384	67,991	30,757	31,505	217,637

5. CAPITAL RECEIPTS

5.1 General capital receipts – the forecast for receipts expected in 2022/23 has increased over the forecast as at Quarter 4 2021/22 by £1.9Million to £7.1Million. Of this, £2.5Million relates to piece of land been sold ahead of schedule. Other changes to the forecast can be seen in table 4 below.

TABLE 4 General Capital Receipts Forecast

General Capital Receipts	2022/23	2023/24
	£000	£000
Budget	£5,211	£10,173
Changes:		
Development sale - receipts ahead of budget profile	£2,500	(£2,500)
Additional Garage sales	85	0
Sale of Amenity Land	13	
Sites unlikely to proceed 22/23	(£450)	£450
Sales unlikely to proceed and being re-evaluated	(£175)	£0
Pre-sale costs variation	(£79)	£0
Total Adjustments	£1,796	(£2,050)
REVISED RECEIPT	£7,105	£8,123

5.2 Locality Review Site Disposals – which is a pipeline of land disposals to maintain the resilience of General Fund balance. The current position is detailed below and shows a reduction in receipts for the year of £347,600 from reduced valuations on several

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properties and the removal of property from the list of disposals (Highways asset £216,000).

5.3

TABLE 5 Locality Review Site Disposals Forecast

Locality Review Site Disposals			
Tranche	Estimated receipt Q4 2012/22	Q2 22/23 Updated F/cast	Variance
Tranche 2 - Yr2 2022/23	£2,597,600	£2,250,000	£347,600
Tranche 3 - Yr3 2023/24	£960,000	£960,000	£0
Total Forecast Locality Review Receipts	£3,557,600	£3,210,000	£347,600

Forecast use of capital receipts are included in **Appendices A** and **B**. Actual General Fund capital receipts to 16 September stand at £2.749Million.

6. IMPLICATIONS

6.1 Financial Implications

6.1.1 Financial implications are implicit in the report.

6.2 Legal Implications

6.2.1 The Council has a statutory duty to arrange for the proper administration of its financial affairs and a fiduciary duty to taxpayers with regards to its use of and accounting for public monies. This report assists in the discharge of those duties.

6.3 Equality and Diversity Implications

6.3.1 None directly arising from this report

6.4 Risk Implications

6.4.1 Inflationary increases, particularly construction related are forecast to impact a number of the building programmes. Increasing cost of construction is being widely reported at every level, with materials and labour all increasing in price. The demand for construction materials is increasing as governments across the world try to revive and stimulate growth following Covid19 and the war in Ukraine. The supply of skilled construction labour is being impacted by both Covid and Brexit related challenges.

6.4.2 Supply chain delays are also being reported, with a potential impact on delivery timetables.

6.4.3 Work is underway to understand the impact on the delivery timelines and cost of, affected programmes. Updates will be provided as part of the Quarter 3 monitoring report. Where evidence indicates that a current year programme will cost more to deliver, options including the removal or reduction of existing approved programmes will be investigated.

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6.5 Climate Change Implications

- 6.5.1 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.
- 6.5.2 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.

BACKGROUND DOCUMENTS

- BD1 - Capital Strategy February 2022 (Council)
- BD2 – Capital Outturn August 2022 (Executive)
- BD3 – Quarter 1 and 2 monitoring report (Executive)

Appendices

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