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EXECUTIVE

20 JANUARY 2021

SUPPLEMENTARY AGENDA 2

PART I

11. DRAFT CAPITAL STRATEGY 2020/21 - 2025/26

To consider a report that includes proposals for revisions to the 2020/21 General Fund and Housing Revenue Account Capital Programme and the draft Capital Programme for 2021/22 onwards.

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Supplementary Agenda Published 15 January 2021

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Meeting EXECUTIVE
Portfolio Area Resources
Date 20 JANUARY 2021



DRAFT CAPITAL STRATEGY 2020/21-2024/25

KEY DECISION

Authors Belinda White x2515
Contributors Senior Leadership Team
Lead Officers Nick Penny
Contact Officer Nick Penny

1. PURPOSE

- 1.1 To approve revisions to the 2020/21 General Fund and Housing Revenue Account Capital Programme and approve the draft Capital Programme for 2021/22 for consideration by the Executive.
- 1.2 To provide Members with an update on the Council's draft five year capital strategy and the resources available to fund the Capital Strategy.
- 1.3 To provide Members with an update on government changes to prudential borrowing requirements.
- 1.4 To provide Members with an update on the Council's investment strategy as required by the updated prudential code.
- 1.5 To set out the Council's approach to funding its key Future Council priorities.

2. RECOMMENDATIONS

- 2.1 That the draft 2021/22 General Fund Capital Programme as detailed in Appendix D to the report be approved for consideration by the Executive.
- 2.2 That the draft 2021/22 HRA Capital Programme as detailed in Appendix E to the report be approved for consideration by the Executive.
- 2.3 That the updated forecast of resources 2020/21 as detailed in Appendix D (General Fund) and Appendix E (HRA) to the report be approved.

- 2.4 That the Council's investment strategy for non-treasury assets as detailed in Appendix F be approved for consideration by the Executive.
- 2.5 That the approach to resourcing the General Fund capital programme as outlined in the report be approved.
- 2.6 That the progress on Locality Reviews be noted.
- 2.7 That the 2021/22 General Fund growth bids identified for inclusion in the Capital Strategy (paragraph 4.2.2 and Appendix A to the report) be approved in principle, This is subject to further review work being undertaken (table 9 and paragraph 4.6.3).
- 2.8 That the HRA budget increases identified for inclusion in the Capital Strategy (paragraphs 4.8.3 to 4.9.9 and Appendix C to the report) be approved.
- 2.9 That the 2021/22 de-minimis expenditure limit (section 4.10 of the report) be approved for consideration by the Executive.
- 2.10 That the 2021/22 contingency allowances respectively in paragraphs 4.11.1 and 4.11.2 of the report be approved for consideration by the Executive.
- 2.11 That the Executive delegation set out in paragraph 4.11.3 of the report, allowing Executive to approve increases to the capital programme for grant funded projects, be approved for consideration by the Executive.

3. BACKGROUND

3.1 Introduction

- 3.1.1 The purpose of the Capital Strategy is to show how the Council determines its priorities for capital investment and how much it can afford to borrow as well as setting out any associated risks.
- 3.1.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:
 - affordable, prudent and sustainable;
 - that treasury management decisions are taken in accordance with good professional practice; and
 - that local strategic planning, asset management planning and proper option appraisal are supported.
- 3.1.3 The Government issued guidance on the disclosures required in the Capital Strategy from 1 April 2018 onwards and includes:
 - an Investment Strategy;
 - disclosure of other investments and their contribution to service delivery objectives and/or place making role;
 - indicators that allow Members and the public to assess a local authority's total risk exposure as a result of investment decisions, including how these investments have been funded, rate of return and additional debt servicing costs taken on;

- the approach to assessing risk of loss before entering and whilst holding an investment; and
- the steps taken to ensure that elected Members and Statutory officers have the appropriate skills and governance.

3.1.4 Some of these disclosures may be shown in the Treasury Management Strategy instead of the Capital Strategy.

3.2 General Fund Investment Strategy

3.2.1 For a number of years capital spend has been prioritised due to the limited availability of capital receipts and the ability to afford the borrowing costs. This resulted in the council applying a ‘fix on fail’ approach to assets with no significant asset improvements, with the exception of those funded through external funding or partially through external funding (Garage and Play Improvement programmes).

3.2.2 The Asset Management Strategy approved at the 11 July 2018 Executive had a key action for the Council to undertake locality reviews of its current land and buildings. The locality reviews sought to identify new opportunities for better use of existing buildings, identifying potential sites to release for sale and identifying land for the Council’s own housing building programme meeting key Council priorities in the process. To date Locality Reviews have identified adhoc land sites for disposal to improve the financial resilience of the General Fund (via reducing revenue contributions to capital), but have yet to complete the work on other assets (target date 2021/22).

3.2.3 Condition Surveys were completed in 2019 and the result of these were reflected in the growth bids approved in the Capital Strategy 2019/20-2024/25, although these were still not in the main about improvement of assets and future proofing them, but an attempt to keep existing assets operational.

3.2.4 The Council utilised the New Homes Bonus (NHB) to fund the playground improvement programme and Capital Reserve as set out in the Draft General Fund report. The capital strategy funding is as follows:

New Homes Bonus £'000	2021/22	2022/23	2023/24
Play & Bins (Capital) CNM	£342	£284	£220
Contribution to Capital Reserve	£250	£250	£250
General Fund	£0	£0	£0
Total Expenditure	£592	£534	£470
Balance in NHB reserve	(£ 461)	(£ 234)	£0
In year Funding	(£ 365)	(£ 8)	£0
Expenditure in year	£592	£534	£0
Balance remaining in NHB reserve	(£ 234)	£0	£0
Alternative Funding required	£0	£292	£470

- 3.2.5 The remaining schemes within the Capital Strategy include Regeneration schemes, Housing Development and IT (predominantly related to the joint ICT Partnership Strategy between East Herts Council and Stevenage Borough Council).
- 3.2.6 Prudential Borrowing remains an option to fund capital schemes, but due to the on-going net cost to the General Fund would require a business case to determine the benefit to the Council and generally would be used to fund income generating schemes, which support the Financial Security of the Council. The issue of affordability has been exacerbated by the impact of the coronavirus pandemic on the Council's finances.
- 3.2.7. The Council has approved some land and asset disposals and an updated schedule of these (net of disposal fees) is below:

Table 2: 2020/21 Disposal Schedule (General Fund)			
Forecast receipts	Q2 Working Budget	January Draft Revised	Variance
	£	£	£
Total 20/21 Capital Receipts Estimate	(3,832,239)	(2,932,239)	900,000
Total 21/22 Capital Receipts Estimate	(3,775,000)	(4,675,000)	(900,000)
Total 22/23 Capital Receipts Estimate	(4,683,840)	(4,683,840)	0
Total 23/24 Capital Receipts Estimate	(23,556,500)	(23,556,500)	0
Total 24/25 Capital Receipts Estimate	(13,384,000)	(13,384,000)	0
Major Capital Receipts Programme	(49,231,579)	(49,231,579)	0

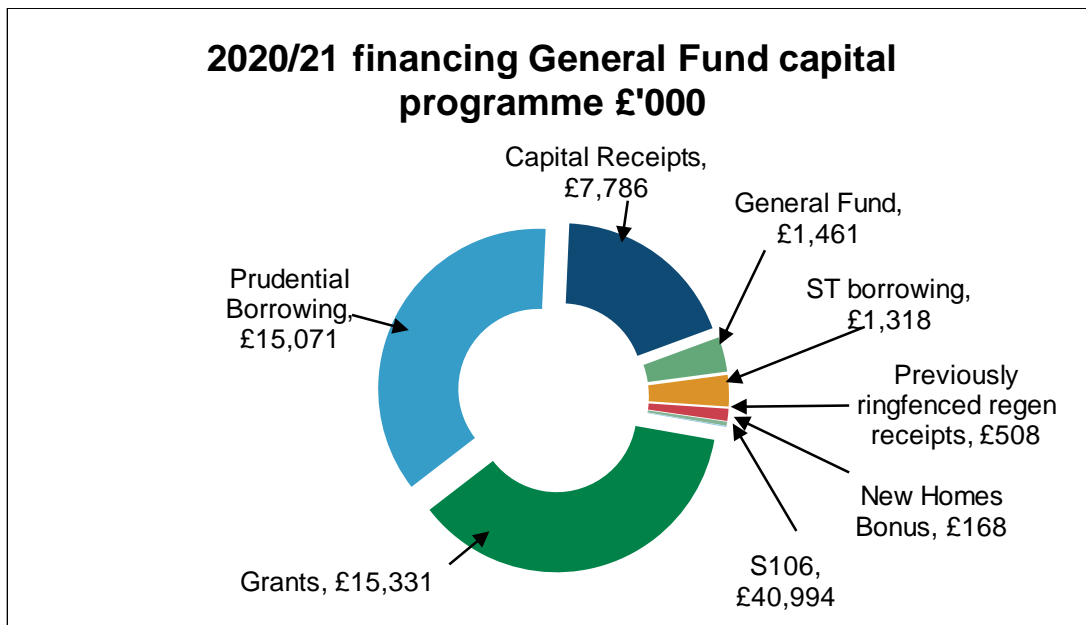
- 3.2.8 In addition to that are Locality receipts approved at September 2020 Executive and a further tranche for approval at this committee that reduce revenue contributions to capital (as outlined in paragraph 3.2.2). The potential land disposals identified from the Locality Reviews help maintain the resilience of General Fund balances, to reduce the revenue contribution to capital and to fill in the gap of NHB funding to the capital reserve. Locality reviews are discussed further in section 4.4 of this report.
- 3.2.9 The capital strategy includes the use of Section 106 (S106) monies that have been earmarked to support current and future capital schemes, the table below shows the current anticipated usage of these:

Table 3: S106 Update							
S106 balance	Total Available	2020/21 Forecast	remaining	2021/22 Forecast	remaining	Future Years Forecast	remaining
	£	£	£	£	£	£	£
Affordable Housing	£62,091		£62,091		£62,091	£62,091	£0
Children's Play space / open space	£9,998	£9,998	£0		£0	£0	£0
Community / Greenspace / Ecological Infrastructure	£70,338		£70,338	£60,000	£10,338	£10,338	£0
Parking / Transport	£156,189		£156,189		£156,189		£156,189

Table 3: S106 Update

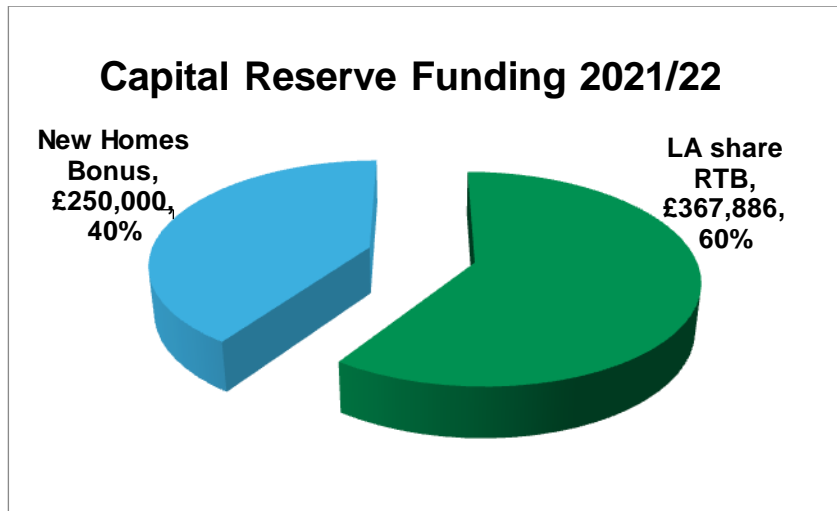
S106 balance	Total Available	2020/21 Forecast	remaining	2021/22 Forecast	remaining	Future Years Forecast	remaining
	£	£	£	£	£	£	£
Gardening Club	£4,576		£4,576		£4,576		£4,576
Arboretum	£25,420	£25,420	£0		£0		£0
Pedestrian Link	£35,000		£35,000		£35,000		£35,000
Household Surveys	£15,990		£15,990		£15,990		£15,990
Total	£379,602	£35,419	£344,183	£60,000	£284,183	£72,429	£211,754

3.2.10 The current capital programme (approved February 2020 and as amended by quarterly monitoring and supplementary reports), is fully funded and shown in the following chart which reflects the Quarter two monitoring report to November Executive. The Grants figure includes £13.8Million of LEP funding.



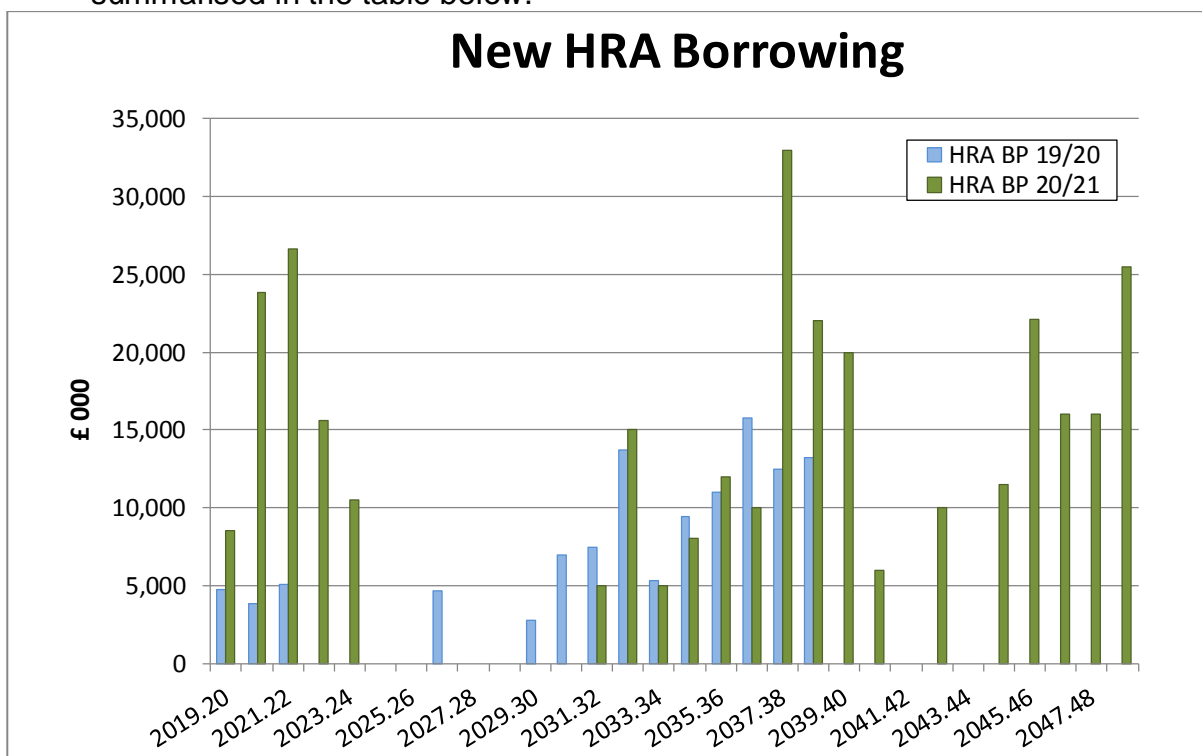
3.2.11 The level of resources available at the end of 2020/21 in the Quarter two report was £1.6Million (£877K Capital Receipts and £722K Capital Reserve), and nil in the following years. However this position has improved and is set out in paragraph 4.1.2, table 5 due to the slippage and savings identified.

3.2.12 The Capital Reserve has been a significant source of the capital programme funding in prior years. It will receive a NHB contribution of £250K in 21/22 and £368K from the Local Authority Share of Right to Buy receipts, as shown in the following chart. The December 2020 Financial Security Report advised Members that the threshold for new properties in the tax base had not been reached in order to receive a further payment in 2021/22. However there was an increase in the number of affordable properties in Stevenage and as a result an additional £67,480 was received for 2021/22; this also a one off payment.



3.3 Housing Revenue Account (HRA) Investment Strategy

3.3.1 **Background:** The HRA capital programme was revised as part of the HRA Business Plan (BP) update to the December 2019 Executive. The 30 year HRA capital programme included £1.485Billion with additional borrowing and is summarised in the table below.



3.3.2 The 2019/20 HRA BP included additional borrowing (shown above) than that in the 2018 HRA BP and a more ambitious new build programme and increase in capital works to existing homes. The new borrowing in the 2018 BP totalled £116.6Million, however the 2019 update had new borrowing of £322.2Million.

3.3.3 The additional capital expenditure that was approved as part of the HRA BP over the 30 years included an additional £201Million of projected capital expenditure as well as revenue growth which funded planned maintenance, anticipated changes relating to the Hackett review and decent homes.

- 3.3.4 The new build programme increased from £582Million to £645.6Million in the 2019 HRA BP, with 2,433 new build homes and an additional 175 units in the first 10 years of the programme.
- 3.3.5 Subsequently a number of delegated approvals were taken by Executive including an increase of £11.3Million in the Kenilworth procurement report on the January 2020 Executive agenda, the updated figures for which was included in the Final Capital Strategy approved by February 2020 Executive and Council. The net change to the approved budget for the period 2019/20 to 2024/25 was £10.2Million.
- 3.3.6 A refresh of the HRA BP is planned for November 2021.

3.4 Budget and Policy Framework

3.4.1 The approval for capital budgets is set out in the Budget and Policy Framework Procedure Rules in the Constitution, which prescribes the Budget setting process. This includes a consultation period. The timescale required to implement this process is outlined below:

Date	Meeting	Report
Jan-21	Executive	Draft 2021/22 General Fund and HRA Capital Strategy
	Overview and Scrutiny	Draft 2021/22 General Fund and HRA Capital Strategy
Feb-21	Executive	Final 2021/22 General Fund and HRA Capital Strategy
	Overview and Scrutiny	Final 2021/22 General Fund and HRA Capital Strategy
	Council	Final 2021/22 General Fund and HRA Capital Strategy

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 Capital Programme – 2021/22 General Fund

4.1.1 The CFO recommended adopting a light touch approach to Capital Bids for 2021/22, due to the ongoing financial pressures arising from the COVID pandemic and the need to focus on improving General Fund resilience, therefore Officers were asked to:

- Review their existing budgets in the Capital Strategy for completeness and to advise if circumstances have changed, and
- To only submit 2021/22 bids that are an urgent need or a top priority as funding is limited

A Full review of the Strategy is planned to be carried out for 2022/23 onwards.

4.1.2 The result of this exercise is summarised in table five below, and set out in full in Appendix A (Growth bids) and Appendix B (Slippage and Savings).

Table 5: Update following 2021/22 Capital Bids process						
	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
	£	£	£	£	£	£
SLIPPAGE	(766,500)	(1,774,546)	620,323	1,920,723	0	0
SAVINGS	(23,280)	(221,020)	(66,270)	(5,250)	(35,000)	(350,820)
GROWTH BIDS	0	553,130	566,600	120,500	45,000	1,285,230
TOTAL	(789,780)	(1,442,436)	1,120,653	2,035,973	10,000	(934,410)

4.2 Capital Bids Included in the Capital Programme

4.2.1 Of the capital growth bids received, some are classified as Health and Safety related or associated with legislative requirements. These bids total £823k over the period 2021/22 - 2024/25, £398k of which falls in 2021/22. The other growth bids total £462k, £155k of which falls in 2021/22 and includes:

- £75k for new property management software, which will assist in the management of all the Council's properties and part of the enhancement required for the insourcing of the compliance contract;
- £70k for Core ICT Equipment for staff, the rollout beyond the first phase in 2020/21 of Priority 1 & 2 Core ICT Equipment for Remote Workers, allowing for new ways of working; and
- £10k for wall repairs at Weston Road cemetery, which has been delayed previously and could become urgent if left in their current condition.

The bids are summarised in table six below, and are detailed in Appendix A.

Table 6: Update following 2021/22 Capital Bids process					
	2021/2022	2022/2023	2023/2024	2024/2025	Total
	£	£	£	£	£
Health & Safety / legislative	398,130	425,000	0	0	823,130
Other growth bids	155,000	141,600	120,500	45,000	462,100
Total	553,130	566,600	120,500	45,000	1,285,230

4.2.2 It is recommended that all the 2021/22 bids totalling £553k are agreed in principle by the Executive. A funding gap has been identified (see table 9 and paragraph 4.6.3), therefore, further work will be undertaken between now and the Final Capital Strategy to review the current programme to identify where expenditure can be reduced. If this does not reduce expenditure sufficiently to ensure the revised programme is fully funded then the growth bids will need to be prioritised.

4.2.3 It is recommended that the growth bids submitted for future years, totalling £732k for the period 2022/23 - 2024/25, form part of the full review of the Strategy planned as per paragraph 4.1.1 and therefore formal approval is not requested at this stage.

4.3 Capital Contingency

4.3.1 As in previous years, it is recommended that a contingency allowance (the deferred works reserve) is included in the capital strategy should any costs become unavoidable during the financial year. This has been included at the previous level of £200k per annum.

4.4 Locality Review Update

4.4.1 The Locality Review Board has been meeting regularly and is sponsored by the Strategic Director (CFO), the Board includes officers from different business units who use or manage the Council’s assets.

4.4.2 An action from the June MTFs COVID recovery report recommended that a pipeline of land disposals be identified from the Locality Reviews to maintain the resilience of General Fund balances by removing the revenue contribution to capital. There is also the need to generate additional capital receipts to help fund any shortfalls from the reduction or cessation of New Homes Bonus (NHB).

4.4.3 The potential sales identified are estimated to generate around £4.5Million (with a further report due to January Executive), which would reduce the reliance on revenue funding sources detailed in 3.2.12. In identifying site disposals the following points were considered

- The removal of green space in the Borough
- The impact on the removal of trees and hedgerows
- The impact on any potential housing development sites
- The alternative use consideration by the council
- The impact of any covenants and restrictions

4.4.4 All council ward Members were consulted and all sites apart from one were approved for disposal.

4.4.5 A schedule of the forecast receipts (net of disposal fees) and the timing of these is in the table below:

Table 7: Locality Review Site Disposals	
Tranche	Estimated receipt
Tranche 1 - Yr1 2021/22	£1,507,200
Tranche 2 - Yr2 2022/23	£1,963,200
Tranche 3 - Yr3 2023/24	£988,800
Total Forecast Locality Review Receipts	£4,459,200

4.5 Summary Capital Programme 2020/21-2024/25

4.5.1 The revised Capital Strategy for 2020/12-2024/25 totals £96.4Million, including the 2021/22 bids totalling £553k. This is summarised in table eight below, and in detail in Appendix D.

Table 8: Revised Capital Programme						
	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
Stevenage Direct Services	2,023	3,024	3,179	3,349	132	11,706
Housing Development	4,462	3,731	11,382	8,334	575	28,484
Finance and Estates	448	655	45	45	15	1,207
IT & Digital	1,068	370	104	104	104	1,750
Housing and Investment	631	1,073	307	187	60	2,257
Regeneration	17,586	900	2,474	13,384	13,384	47,728
Communities and Neighbourhoods	394	321	275	60	20	1,070
Planning and Regulatory	86	352	305	305	305	1,353
Deferred Works Reserve	53	200	200	200	200	853
TOTAL	26,751	10,625	18,270	25,968	14,795	96,410

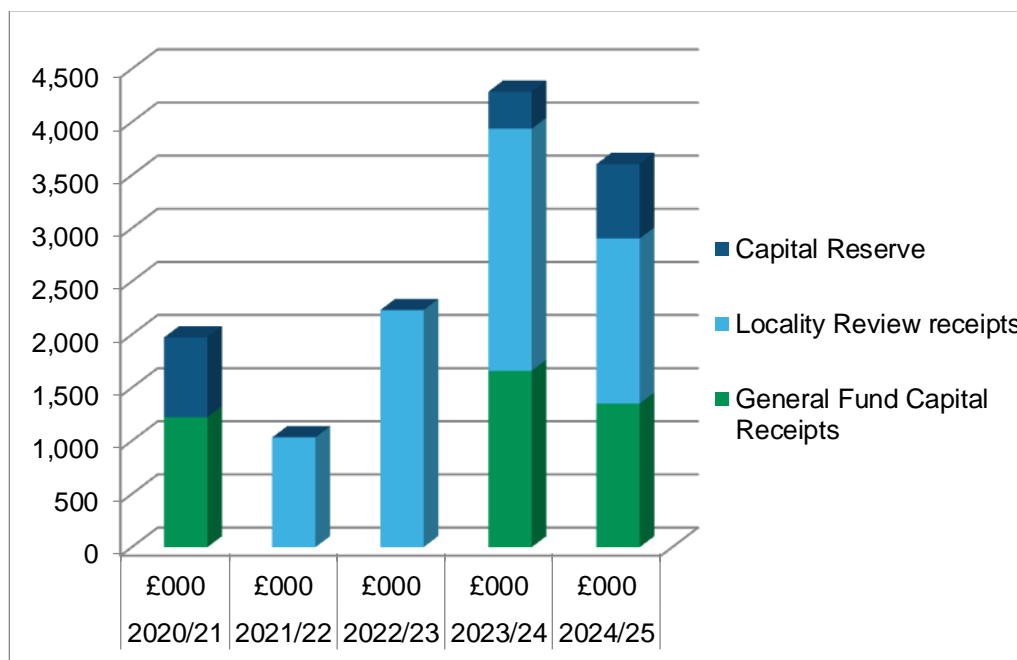
4.6 Capital Resources for the General Fund Capital Strategy

4.6.1 The projected resources used to fund the Capital Strategy totalling £96.4Million, including the 2021/22 bids totalling £553k. This is summarised in table nine below, and detailed in Appendix D. The total of the funded programme is £633k higher than the available funding (see paragraph 4.6.3 for further information).

Table 9: Revised Capital Programme						
	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000	£000
Capital Receipts	4,929	4,582	3,736	18,842	13,692	45,781
Locality Review Receipts	0	474	765	944	724	2,907
New Build 1-4-1 Receipts - for RP Grants	1,280	0	0	0	0	1,280
Grants and other contributions	15,372	1,784	4,756	3,916	0	25,829
RCCO	984	1,000	528	0	0	2,511
Previously ring-fenced regeneration receipts	508	0	0	0	0	508
Capital Reserve (Housing Receipts)	364	368	372	375	379	1,858
New Homes Bonus	168	342	65	0	0	575
Prudential Borrowing Approved	1,827	968	4,523	1,891	0	9,208
Short Term borrowing and funded from private sale	1,318	947	3,054	0	0	5,319
Sub-total of funded programme	26,751	10,464	17,799	25,968	14,795	95,777
Funding Gap	0	161	472	0	0	633
TOTAL	26,751	10,625	18,270	25,968	14,795	96,410

4.6.2 The use of capital receipts is dependent on delivery of the disposal sites to the market. The revised capital strategy leaves balances remaining at the end of the

years as summarised below, which includes both General Fund Capital Receipts and Locality Review Receipts.



4.6.3 A funding gap has of £633k has been identified, £161k in 21/22 and £472k in 22/23. Further review work is to be undertaken before the final strategy is presented to February Executive with the focus on:

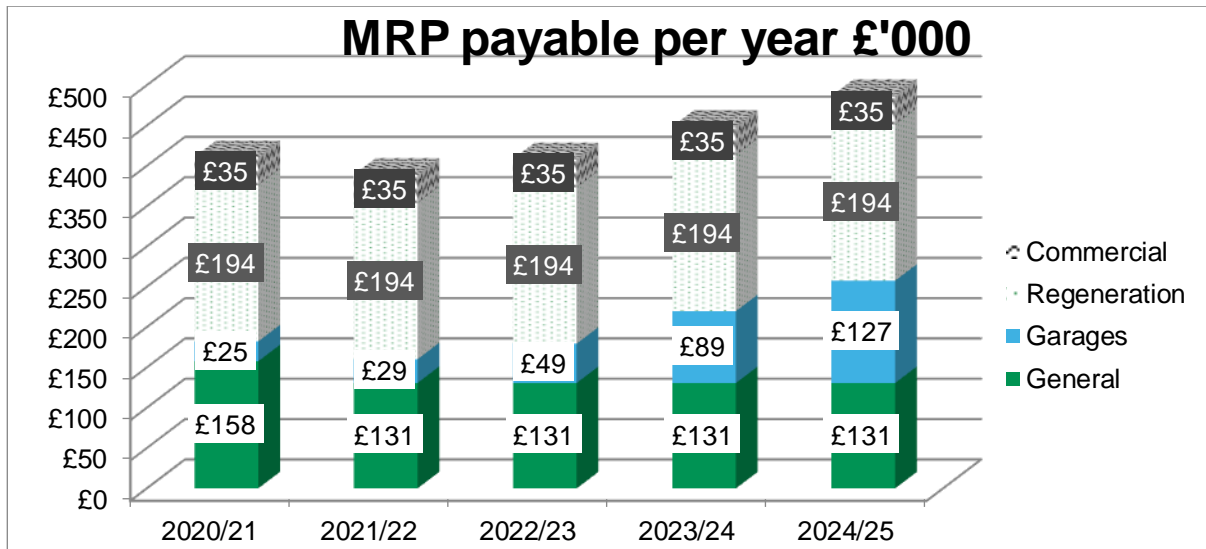
- reviewing the draft capital programme to see where expenditure can be reduced/deferred to a later time
- reviewing the growth proposals to see where expenditure can be reduced/deferred to a later time
- review both of the above to ascertain whether grant funding could be secured to fund the work
- reviewing Capital Receipts and Locality Review Receipts to see whether disposals could be made earlier than is currently planned, however this could lead to a reduced receipt if sites are disposed of at a less advantageous time in the market
- making use of temporary borrowing until General Fund Capital Receipts are forecast to be received

4.6.4 The level of balances required is a minimum £500K-£750K, to mitigate for potential risks. While this a limited amount of funding the CFO considers these to be sufficient year-end balances.

4.6.5 The risks are:

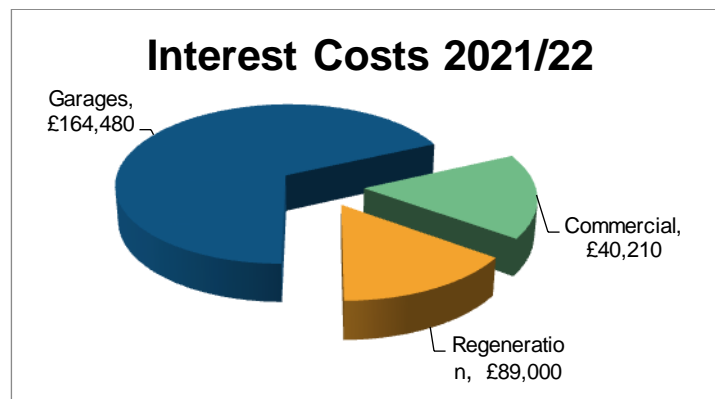
- Potential for scheme overspends.
- Potential for not spending all the Local Enterprise Partnership (LEP) monies by the deadline and therefore some costs falling on the Council's resources.

- Potential for delay in realising capital receipts – there are £6.24Million of land/asset sales to be achieved in 2021/22 as shown in tables two and seven.
 - The deferred works budget of £200K may not be sufficient to fund any works not currently funded in the Strategy.
 - Potential for General Fund underspends not materialising. The Capital Reserve has been reliant on General Fund underspends of £350K per year (not included in General Fund projected year end balances), but due to the impact of the coronavirus pandemic on the Council's finances this has not been included in 2021/22. However the £350k contribution has been reinstated from 2022/23 onwards.
- 4.6.6 The Regeneration Board also needs to ensure that LEP funding is maximised to minimise any risk to the Council's finances.
- 4.6.7 The alternative is to consider borrowing to fund capital expenditure. In the recent past borrowing has been used when the costs of borrowing have been funded from receipts generated, e.g. commercial property purchases or the business case has determined that the borrowing costs are in the main, funded as in the case of the garage programme.
- 4.6.8 The response to the recent consultation on the lending terms for the PWLB is that there is no longer scope for the Council to enter into any new, purely commercial, investments (investments for yield). From 26 November, new restrictions were implemented which meant Councils were precluded from access to cheap Public Works Board (PWLB) funding if Capital Strategies included the purchase of Commercial Investments whether from borrowing (not just from PWLB) or other means. Therefore, the 2020/21 budget of £13.2Million for Investment Property has been removed from the capital programme. This allows continued use of PWLB including £50Million Housing Revenue Account borrowing for this and next year. However, the new rules also reversed the 100bsp increase announced October 2019 which will improve the viability of business cases for regeneration and other programmes.
- 4.6.9 The use of borrowing would put an on-going pressure on the General Fund and would require an increase in the level of Financial Security savings required in future years. The current level of Minimum Revenue Provision (MRP) paid in the General Fund is shown in the following table.

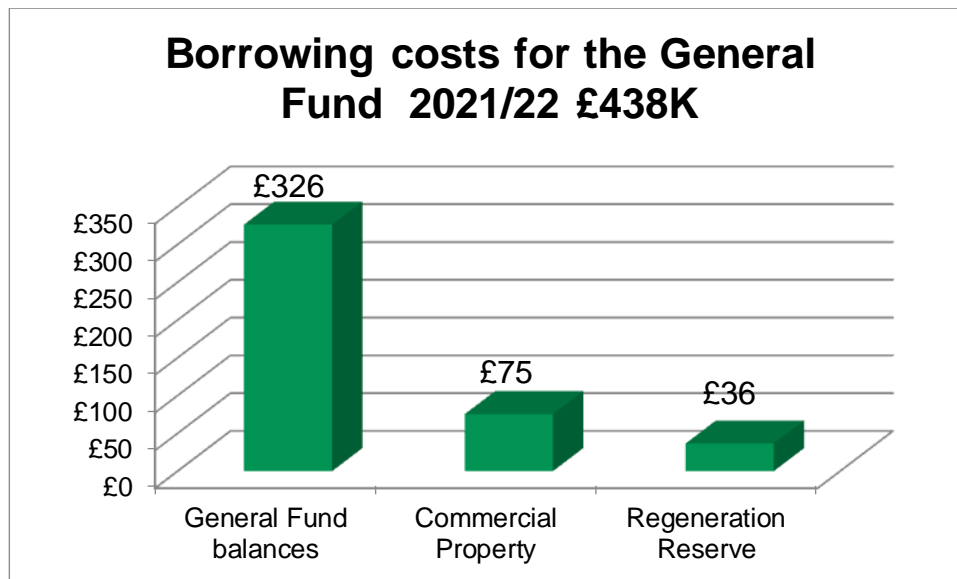


4.6.10 All of the commercial and regeneration property MRP (and interest) is funded from income generated from those assets. MRP is payable regardless of whether the borrowing is taken externally or whether internal investment balances are used.

4.6.11 The 2021/22 projected interest costs on borrowing is estimated to be £241,180 (2020/21 £273,187).



4.6.12 The total cost of borrowing in 2021/22 is £438K or an estimated 1% of gross General Fund expenditure. However the majority of this cost is met from within the income generated from assets as shown below.



4.6.13 As a result of the lower borrowing rates outlined in paragraph 4.6.7 Interest rates are 1.91% for a 25 year loan as at 11/1/2021 which would mean a cost per £million (based on assets with a 25 year life) of £59,100 (interest and MRP). An annual use of borrowing would be an incremental increase in General Fund costs, which would need to be met from increasing the Financial Security Target for the General Fund.

4.7 Other capital investments and Finance Lease

4.7.1 The Council purchased a number of properties in the town centre to enable it to meet its regeneration aims. These properties were purchased using LEP funding. These properties have been purchased for regeneration purposes and therefore do not fall under the Property Investment Strategy. In making these strategic acquisitions a full risk assessment is undertaken to ensure the cost of carrying these assets in the short to medium term can be met by the Council. The Regeneration Asset allocated reserve has been setup specifically to cover these costs.

4.7.2 The Council undertook a long term finance lease for a mixed development scheme on Queensway in the town centre. This is a lease arrangement and falls outside the scope of capital investment. As part of the decision making process a risk assessment was undertaken and presented to Members. Key Officers were given training on their roles and responsibilities for the new governance arrangements for the Limited Liability Partnership.

4.7.3 Links to Commercial and Insourcing Strategy - The Council's investment in loans, shares and commercial property plays a part in a more commercial approach to the Council's activities, including its working with business and community partners. The Service and Commercial Investment Strategy at Appendix F set out the investment activity and risk management processes which support this.

4.7.4 External legal, financial and commercial advice is procured to ensure the validity and viability of business cases presented to Members.

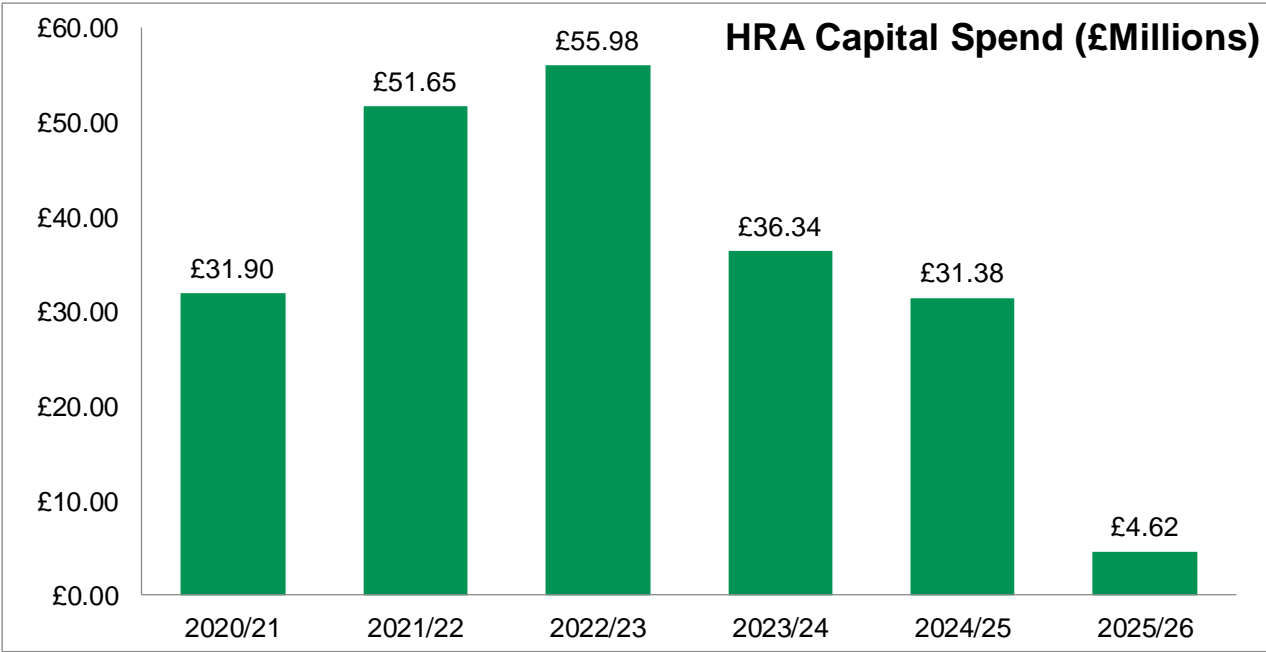
4.8 Capital Programme - Housing Revenue Account (2020/21-2025/26)

- 4.8.1 The HRA business plan identifies borrowing increased to £322.2Million and the revenue contributions to capital reduced (see also section 3.3).
- 4.8.2 £4.6Million of the current capital programme (approved February 2020 and as amended by quarterly monitoring and supplementary reports) which covered the period 2019/20 - 2024/25 has been slipped to 2025/26.
- 4.8.3 Alongside the General Fund exercise set out in paragraph 4.1, officers have also identified some slippage in the HRA capital programme of £2.2Million from 2020/21 to 2021/22 and have also requested consideration of HRA budget increases totalling £309k of which £204k is requested for 2021/22. These are set out in appendix C and summarised in the table below.

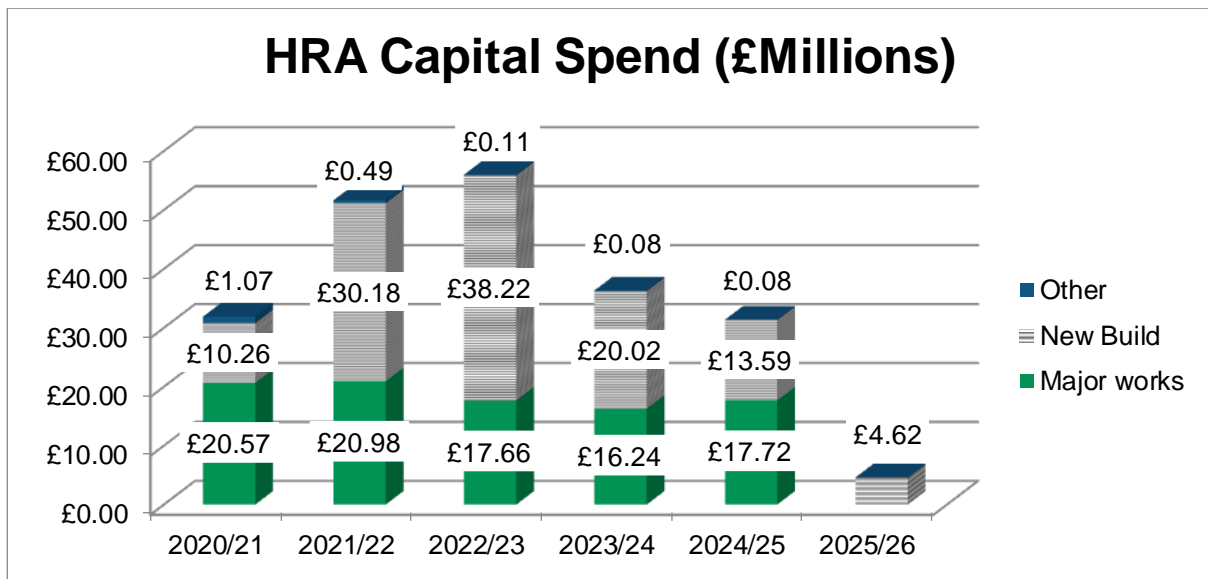
Table 10: Update from the 2021/22 Capital Bids process

	2021/2022	2022/2023	2023/2024	2024/2025	Total
	£	£	£	£	£
IT Strategy	42,870	30,000	0	0	72,870
HRA specific IT & Digital	135,783	0	0	0	135,783
HRA Equipment	25,000	25,000	25,000	25,000	100,000
Total	203,653	55,000	25,000	25,000	308,653

4.8.4 The revised draft capital strategy budget for 2020/21 - 2025/26 totals £211.86Million is set out in appendix E and summarised below.

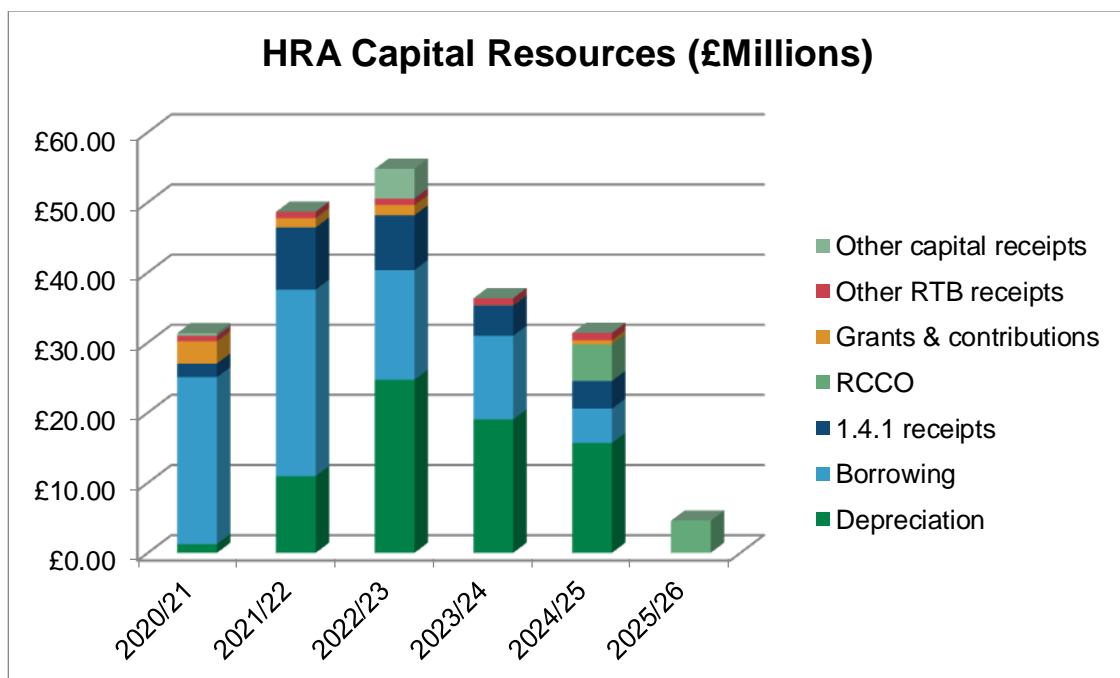


4.8.4 The split between major works, new build and other is shown in the following chart.

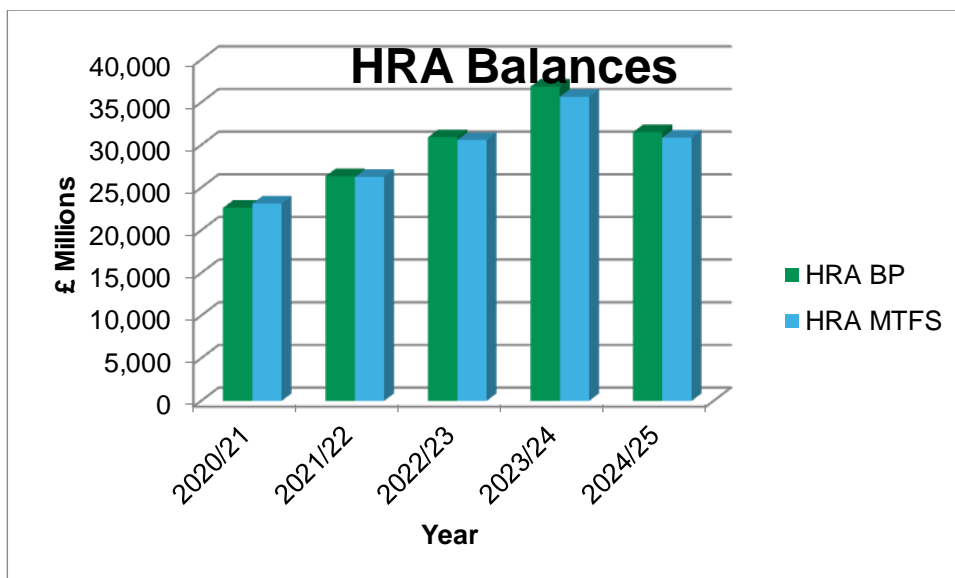


4.9 Capital Programme – HRA Resources (2020/21-2025/26)

4.9.1 The resourcing of the current HRA capital programme funding is summarised in the following chart. The largest percentage is funded by borrowing (40%) followed by the HRA (via depreciation charges, 35%). Capital receipts from right to buy sales of council houses (New Build 1-4-1 receipts) forms 13% of total funding; however as Members will be aware the 1.4.1 receipts have restricted use.

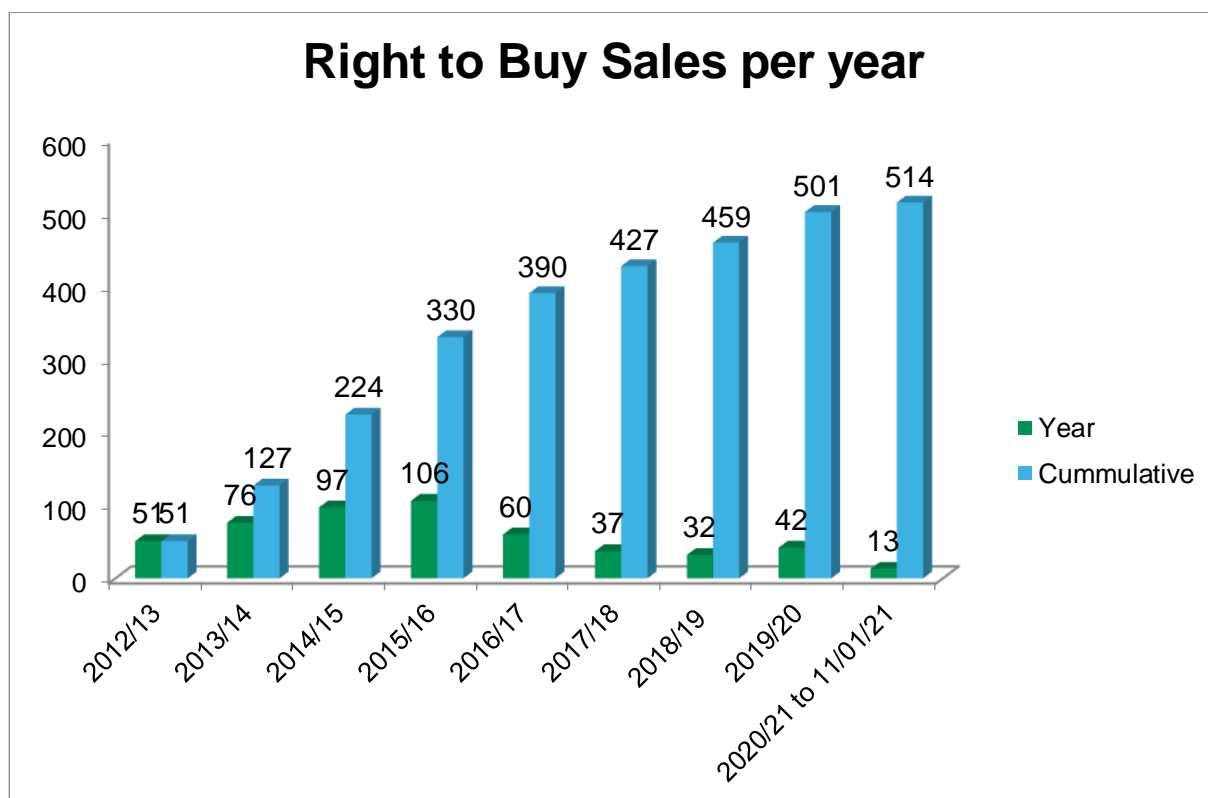


4.9.2 The closing HRA balances for the period 2020/21-2024/25 have been reviewed as part of the revised HRA MTFs, these figures compared to the HRA BP are set out below. The next HRA BP will review the full 30 year projection.

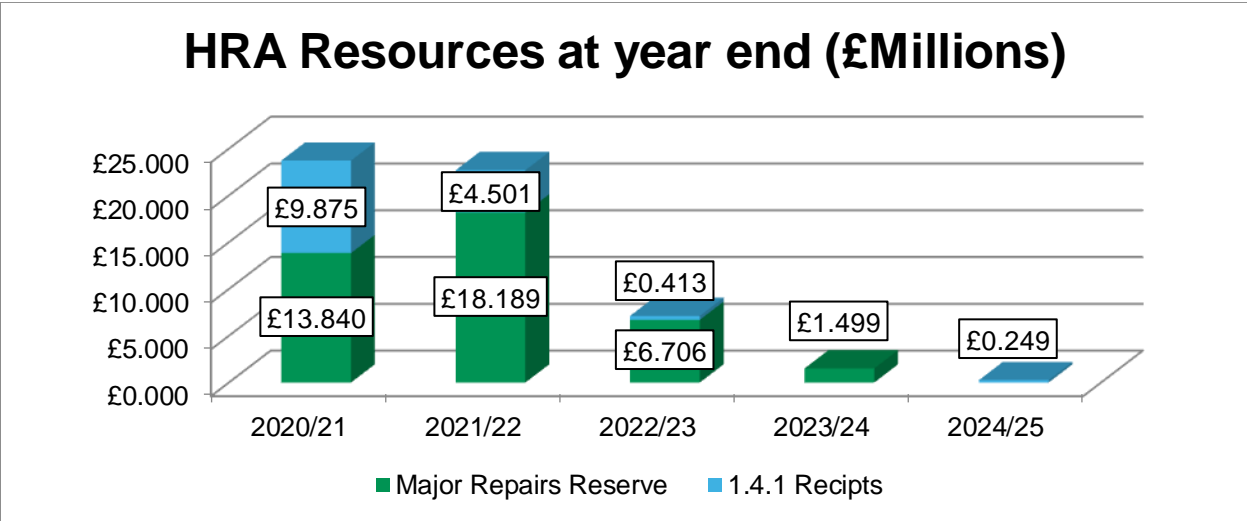


4.9.3 The HRA risk assessment of balances reflects the need to hold higher reserves to fund interest rate fluctuations and £5.7Million was set aside in an allocated reserve to allow for interest rate changes. The recent HRA MTFS set the minimum level of balances for the HRA as £2.985Million.

4.9.4 The HRA capital programme funding had been based on 35 Right To Buy (RTB) sales per year (2019/20 onwards) and was initially reduced to 24 for 2020/21 due to a reduction in house sales following restrictions under the first period of lockdown, however this has since been revised upwards to 27 sales based on expressions of interest. RTB's have fluctuated since self-financing was introduced and in 2020/21 (up to 11/01/2021) there have been 13 RTB sales.



- 4.9.5 There have been no government policy changes impacting the HRA in the last year. The outcome of the Government’s consultation on ‘Use of Right to Buy (RTB) Receipts’ and increasing the flexibility around there usage has still not been concluded. However, local authorities have been allowed to retain their receipts between April 2020 and March 2021 (recently extended from December 2020), without penalties, due to the impact of the COVID pandemic on development schemes. The Government has also issued a consultation, in November, asking for authorities’ current position on the use of receipts. This may lead to a further extension of the repayment timetable, but this is not known at this time. As there has not been any formal conclusion to the last Government consultation process, future policy regarding the RTB system is not known and this continues to impede the use of the receipts.
- 4.9.6 The borrowing forecast for 2019/20 was £7.057Million (£8.557in the HRA BP less £1.5Million slipped to 2020/21), of which £4.010Million external borrowing was taken. None of the 23.802Million borrowing forecast for 2020/21 has been taken externally to date. There are forecast savings on interest payable totalling £0.508Million in 2020/21 and up to £1.707Million over the next four years, against the assumed new borrowing, due to loans having been deferred and to the changes to current and forecast interest rates.
- 4.9.7 A variable element of the resources available at year end are restricted use 1-4-1 receipts as shown in the following chart. As set out in paragraph 4.9.5, the government announced a temporary relaxation of the deadline by which these receipts needed to be spent or returned with interest. The chart sets out the current forecast position. In addition there are revenue contributions which were set aside in the HRA BP of which not all have been utilised.



- 4.9.8 The IT Strategy requests are for the HRA share of the costs associated with the joint ICT Partnership Strategy between East Herts Council and Stevenage Borough Council). £13k of the request relates to a legislative requirement. The general apportionment used for the SBC share of these costs is 67% General Fund and 33% HRA, so both the General Fund and HRA budget elements are required.

- 4.9.9 Given the slippage identified and the level of unrestricted HRA resources available it is recommended that these budget increases are approved. The revised Capital Strategy for 2020/12-2024/25 including the slippage identified and the budget increases is set out in detail in Appendix D.

4.10 De Minimis Level for Capital Expenditure 2021/22

- 4.10.1 Accounting best practice recommends that the Council approves a de minimis level for capital expenditure, or a value below which the expenditure would not be treated as capital. This would mean that the expenditure would not be recorded on the asset register nor be funded from capital resources.
- 4.10.2 The limit set for 2021/22 remains unchanged at £5,000 in the Draft Capital Strategy; this applies to a scheme value rather than an individual transaction.

4.11 Contingency Allowance for 2021/22

- 4.11.1 The contingency allowance for 2020/21 is £250,000, the contingency proposed for 2021/22 remains at £250,000, for schemes requiring funding from existing capital resources. A limit of £250,000 is also set for schemes for each Fund that have new resources or match funded resources identified in addition to those contained within this report. This limit applies individually to both the General Fund and the HRA. This contingency sum constitutes an upper limit on both funds within which the Executive can approve supplementary estimates, rather than part of the Council's Budget Requirement for the year.
- 4.11.2 The contingency allowance for 2020/21 in 2020/21 is £500,000 in relation to the use of restricted use or 1.4.1 receipts for registered providers to ensure that the Council achieves nominal rights and doesn't have to return 1.4.1 receipts to the government. This contingency allowance is a recommended to remain at the same level of £500,000 for 2021/22.
- 4.11.3 Separate to the contingency allowance in paragraph 4.11.1, the CFO proposes that Executive or Portfolio Lead/Leader of the Council be given delegation to approve increases to the capital programme for grant funded projects, when external funding sources have been secured. Officers propose a contingency allowance of £5,000,000 were a scheme is fully funded from 3rd party contribution/grant.

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 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.
- 5.4.3 There is a risk in achieving the level of qualifying spend, including Grants to Registered Providers, 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 receipt will have to be returned and interest payments made.
- 5.4.4 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.
- 5.4.5 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 as we begin the second national lockdown. The Council must keep Strategy in place under review, 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.
- 5.4.6 There are risks around achieving the level of Locality Review Receipts budgeted for, which are required to replace NHB funding and contributions from Revenue underspends.

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 2nd Quarter Capital Monitoring report (November 2020 Executive)
- BD2 Final HRA and Rent Setting Report 2021/22 (January 2021 Executive) – elsewhere on this agenda
- BD3 Housing Revenue Account Medium Term Financial Strategy Update (2020/21 - 2024/25) (November 2020 Executive)
- BD4 HRA Business Plan 2020 update (December 2019 Executive)

Appendices

- A - General Fund Capital Bids for consideration
- B - General Fund Slippage & Savings
- C - HRA Capital Budget Requests for consideration
- D - General Fund Capital Strategy
- E - HRA Capital Strategy
- F - Service and Commercial Investment Strategy

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APPENDIX A - GENERAL FUND

Scheme	H&S or Legislative	2021/2022	2022/2023	2023/2024	2024/2025
		Growth Bid £	Growth Bid £	Growth Bid £	Growth Bid £
Stevenage Direct Services					
Vehicle/Plant replacement Programme					
Applied Sweeper LK18 HCF			5,800		
Applied sweeper green machine LK18 HCE			5,800		
Replacement for Cemeteries Dump Truck			15,000		
Food collection vehicles (x5)	Legislative		425,000		
Westin Road ABS Pump				5,500	
Stevenage Direct Services Growth Bids		0	451,600	5,500	0
Finance & Estates					
new Management software		75,000	45,000	45,000	45,000
EPC Surveys	Legislative	120,000			
EPC remedials	Legislative	20,000			
Building condition and Insurance valuation Survey	Legislative	150,000			
Finance & Estates Growth Bids		365,000	45,000	45,000	45,000
Housing and Investment					
Community Centres					
Springfield House CC - New additional heating	Health & Safety	10,000			
Cemeteries					
Weston Road cemetery - wall repairs		10,000			
Other					
Multi Storey Car Park - Installation of emergency lighting	Health & Safety	50,000			
Council Offices					
Daneshill House - New boiler flue installation	Health & Safety	22,000			
Operational Buildings					
BTC: replacement air handling units				70,000	
Housing & Investment Growth Bids		92,000	0	70,000	0
IT Strategy					
Core ICT Equipment for Additional Staff		70,000	70,000		
2012 Migration Servers	Legislative	26,130			
IT Strategy Growth Bids		96,130	70,000	0	0
TOTAL GROWTH BIDS		553,130	566,600	120,500	45,000
Growth bids relating to H&S or legislative reasons		398,130	425,000	0	0
Other growth bids		155,000	141,600	120,500	45,000
Total growth bids		553,130	566,600	120,500	45,000

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APPENDIX B - GENERAL FUND

Scheme		2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	TOTAL
		Savings & Slippage £	Savings & Slippage £	Savings & Slippage £	Savings & Slippage £	Savings & Slippage £	Savings & Slippage £
Stevenage Direct Services							
Green Space Access Infrastructure	Slippage		(88,000)	88,000			0
Garages	Slippage		(2,204,046)	313,323	1,890,723		0
Vehicle/Plant replacement Programme							
Vehicle replacement for LN58UJS (RANGER TDCI)	Slippage	(26,000)	26,000				0
LM58JWG LF55.220	Slippage	(77,500)	77,500				0
LK08PVT FAD CF85 410	Slippage	(120,000)	120,000				0
Vehicle replacement for the Johnston 401 LJ17 EHL	Slippage		(125,000)	125,000			0
Vehicle replacement for KC57NNR (Fiesta)	Slippage		(12,000)	12,000			0
Vehicle replacement for KE008ACU (Fiesta)	Slippage		(12,000)	12,000			0
Can Balers (x2)	Slippage		(20,000)	20,000			0
Finance & Estates							
Garage Site Assembly	Slippage	(45,000)	45,000				0
IDOX Property Management Software	Saving	(17,200)					(17,200)
Commercial Properties Refurbishment (MRC Programme)	Saving	72,550	(186,020)	(31,270)	29,750		(114,990)
Works to improve vacant premises prior to re-letting	Slippage	(40,000)	40,000				0
Housing and Investment							
Cavendish Depot - Renovation/Yard Drainage	Slippage	(90,000)					(90,000)
Depots: Urgent and H&S Works	Slippage	(150,000)	240,000				90,000
Depots: Planned Preventative Works (incl £500k reroof)	Slippage	(30,000)		30,000			0
BTC Planned Preventative Works	Slippage	(200,000)	170,000		30,000		0
Community & Neighbourhoods							
Arts and Leisure Centre - Pipework	Saving	(60,630)					(60,630)
Bandley Hill Play Centre - Fencing Replacement	Saving	(3,000)					(3,000)
Pin Green Play Centre Equipment	Saving	(15,000)					(15,000)
Leisure Stock Condition	Slippage		(20,000)	20,000			0
Fairlands Valley Park Sailing Centre - Boathouse	Slippage	12,000	(12,000)				0
Planning & Regulatory							
Parking Restrictions	Saving		(10,000)	(10,000)	(10,000)	(10,000)	(40,000)
Hard standings	Saving		(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
TOTAL SLIPPAGE & SAVINGS							
SLIPPAGE		(766,500)	(1,774,546)	620,323	1,920,723	0	0
SAVINGS		(23,280)	(221,020)	(66,270)	(5,250)	(35,000)	(350,820)
TOTAL SLIPPAGE & SAVINGS		(789,780)	(1,995,566)	554,053	1,915,473	(35,000)	
Other Changes:							
Investment Property		(13,244,050)					

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APPENDIX C - HOUSING CAPITAL STRATEGY

	2021/2022	2022/2023	2023/2024	2024/2025	TOTAL
Scheme	Revised Budget	Revised Budget	Revised Budget	Revised Budget	Revised Budget
H&S or Legislative requirement	£	£	£	£	£
SPECIAL PROJECTS & EQUIPMENT					
HRA Equipment					
Capital Equipment (including Supported Housing Equipments)	25,000	25,000	25,000	25,000	100,000
TOTAL Special Projects & Equipment Budget Requests	25,000	25,000	25,000	25,000	100,000
IT Strategy					
Core ICT Equipment for Additional Staff	30,000	30,000			60,000
2012 Migration Servers	12,870				12,870
		Legislative			
IT Strategy Budget Requests	42,870	30,000	0	0	72,870
Housing IT					
Housing All Under One Roof programme (HAUOR)					
Housing Improvements - Northgate online	21,870				21,870
On-Line Housing Application Form - RAPID KZ107	9,090				9,090
Housing Document Management System	32,440				32,440
subtotal HAUOR Growth Bids	63,400	0	0	0	63,400
ICT Programme (Business Plan)	72,383				72,383
Total Housing IT Budget Requests	135,783	0	0	0	135,783
TOTAL	203,653	55,000	25,000	25,000	308,653
IT Strategy	42,870	30,000	0	0	72,870
HRA specific IT & Digital	135,783	0	0	0	135,783
HRA Equipment	25,000	25,000	25,000	25,000	100,000
TOTAL	203,653	55,000	25,000	25,000	308,653

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APPENDIX D - GENERAL FUND CAPITAL STRATEGY

Cost Centre	Scheme	2020/2021			2021/2022			2022/2023	2023/2024	2024/2025
		Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
BG902	General Funds Receipts									
	Unallocated B/fwd	(3,812,600)	(3,812,600)	0	(876,569)	(1,224,899)	(348,330)	(0)	(0)	(1,660,722)
	In Year Receipts	(3,796,239)	(2,932,239)	864,000	(3,775,000)	(4,675,000)	(900,000)	(4,683,840)	(23,556,500)	(13,384,000)
	Used in Year	6,141,531	4,929,201	(1,212,330)	3,333,322	4,581,646	1,248,324	3,736,456	18,841,972	13,692,087
	Ring Fenced Receipts Used to Repay ST Borrowing	590,739	590,739	0	1,318,247	1,318,252	6	947,384	3,053,806	0
	General Fund Receipts Unallocated C/fwd	(876,569)	(1,224,899)	(348,330)	(0)	(0)	(0)	(0)	(1,660,722)	(1,352,635)
	Locality Review receipts									
	Unallocated B/fwd			0	0	0	0	(1,033,200)	(2,231,400)	(2,276,200)
	In Year Receipts			0	(350,000)	(1,507,200)	(1,157,200)	(1,963,200)	(988,800)	0
	Used in Year		0	0	238,853	474,000	235,147	765,000	944,000	724,000
	Receipts Unallocated C/fwd	0	0	0	(111,147)	(1,033,200)	(922,053)	(2,231,400)	(2,276,200)	(1,552,200)
BG905	Previously ringfenced regeneration receipts									
	Unallocated B/fwd	(508,376)	(508,376)	0			0			
	Used in Year	508,376	508,376	0			0			
	Reserve Unallocated C/fwd		0	0			0			
BG903 & BG916	Capital Reserve									
	Unallocated B/fwd	(1,094,000)	(1,094,000)	0	(722,254)	(749,704)	(27,450)	(0)	0	(350,000)
	In Year Resource	(1,222,417)	(804,863)	417,554	(617,886)	(617,886)	0	(899,153)	(725,280)	(729,033)
	Used in Year	1,594,163	1,149,159	(445,004)	1,340,140	1,367,589	27,450	899,153	375,280	379,033
	Capital Reserve Unallocated C/fwd	(722,254)	(749,704)	(27,450)	(0)	(0)	(0)	0	(350,000)	(700,000)

APPENDIX D - GENERAL FUND CAPITAL STRATEGY

Cost Centre	Scheme	2020/2021			2021/2022			2022/2023	2023/2024	2024/2025
		Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	Stevenage Direct Services									
	Parks & Open Spaces									
KC218	Hertford Road Play Area (S106 Funded)	25,000	25,000	0			0			
KE911	Play Area Improvement Programme	42,030	42,030	0	243,000	243,000	0	283,500	220,000	
KE097	Litter bins	0	0	0	103,000	103,000	0	83,000	10,000	4,000
KE329	Play Areas Fixed Play	30,810	30,810	0	10,000	10,000	0			
KE494	Green Space Access Infrastructure	0			148,000	60,000	(88,000)	241,000	128,000	128,000
	Other									
KG002	Garages	1,065,000	1,065,000	0	4,469,770	2,265,720	(2,204,050)	2,265,720	2,265,720	
KE495	Cavendish Depot - Renovation/Yard Drainage	90,000		(90,000)						
KS263	Waste and Recycling System	63,700	63,700	0	19,000	19,000	0			
KE519	FVP Dam Works	32,000	32,000	0			0			
KE520	Welfare improvements at out based hubs	10,000	10,000	0			0			
	Vehicles, Plant, Equipment									
KE349	Waste Receptacles	15,000	15,000	0						
KE497	Trade Waste Containers	20,000	20,000	0	20,000	20,000	0	20,000	20,000	
Various	Vehicle/Plant replacement Programme	942,850	719,350	(223,500)	249,000	303,500	54,500	285,400	705,000	
	Total Stevenage Direct Services	2,336,390	2,022,890	(313,500)	5,261,770	3,024,220	(2,237,550)	3,178,620	3,348,720	132,000
	Housing Development Scheme (Joint GF/HRA)									
KG030	Grants To Registered Providers contingency	1,280,000	1,280,000	0						
KG032	Building Conversion into New Homes - Ditchmore Lane	37,593	37,590	(3)						
Various	Housing Development Schemes (Joint GF/HRA)	860,051	860,050	(1)	3,730,886	3,730,886	0	8,874,818	8,334,474	
KG038	Wholly Owned Housing Development Company (WOC)*	2,284,370	2,284,370	0			0	2,506,990		
	Total Housing Development (including grants to Registered Providers)	4,462,014	4,462,010	(4)	3,730,886	3,730,886	0	11,381,808	8,334,474	574,900
	<i>*will change in Final Capital Strategy to reflect WOC Report to January Executive</i>									
	Finance & Estates									
KG025	Garage Site Assembly	45,000	0	(45,000)		45,000	45,000			
KR912	Investment Property	13,244,050	0	(13,244,050)			0			
KR914	IDOX Property Management Software	17,200	0	(17,200)			0			
GROWTH	new Management software					75,000	75,000	0	0	0
KR916	Commercial Properties Refurbishment (MRC Programme)	375,560	448,110	72,550	375,560	189,540	(186,020)	29,750	29,750	
KR150	Works to improve vacant premises prior to re-letting	40,000	0	(40,000)	15,000	55,000	40,000	15,000	15,000	15,000
GROWTH	EPC Surveys			0		120,000	120,000			
GROWTH	EPC remedials			0		20,000	20,000			
GROWTH	Building condition and Insurance valuation Survey			0		150,000	150,000			
	Total Finance & Estates	13,721,810	448,110	(13,273,700)	390,560	654,540	263,980	44,750	44,750	15,000

APPENDIX D - GENERAL FUND CAPITAL STRATEGY

		2020/2021			2021/2022			2022/2023	2023/2024	2024/2025
Cost Centre	Scheme	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	Corporate Projects, Customer Services & Technology									
	IT General									
KS251	Harmonising Infrastructure Technology (for shared service)									
KS268	Infrastructure Investment	900,556	900,560	4	271,720	271,720	0	104,220	104,220	104,220
GROWTH	Core ICT Equipment for Additional Staff			0		70,000	70,000	0		
GROWTH	2012 Migration Servers			0		26,130	26,130			
	Total IT General	900,556	900,560	4	271,720	367,850	96,130	104,220	104,220	104,220
	Connected to Our Customer (CTOC)									
KS271	Corporate Website - Redesign	64,627	64,630	3	680	680	0			
KS274	New CRM Technology	102,856	102,860	4	1,000	1,000	0			
	Total CTOC	167,483	167,490	7	1,680	1,680	0	0	0	0
	Total Corporate Projects, Customer Services & Technology	1,068,039	1,068,050	11	273,400	369,530	96,130	104,220	104,220	104,220
	Housing and Investment									
	Community Centres									
KE902	Community Centres General	12,590	12,590	0			0			
KE488	Springfield House - Boundary Wall	2,700	2,700	0			0			
GROWTH	Springfield House CC - New additional heating			0		10,000	10,000			
KE528	Community Centres: 2019/20 Backlog H&S Works	12,850	12,850	0			0			
KE529	Community Centres Urgent and H&S Works	21,000	21,000	0	33,500	33,500	0	60,000		
KE525	Community Centres: Planned Preventative Works: to replace boiler at Bedwell CC	40,000	40,000	0						
	Park Pavilions									
KE907	Park Pavilions General	7,360	7,360	0			0			
	Cemeteries									
GROWTH	Weston Road cemetery - wall repairs			0		10,000	10,000			
	Depots									
KE526	Depots: Urgent and H&S Works	290,000	140,000	(150,000)		240,000	240,000			
KE527	Depots: Planned Preventative Works (incl £500k reroof)	30,000	0	(30,000)	475,000	475,000	0	55,000		
	Other									
Growth	MSCP: Urgent and H&S Works						0	20,000		
GROWTH	Multi Storey Car Park - Installation of emergency lighting					50,000	50,000			
	Council Offices									
KR141	Corporate Buildings - Essential Health & Safety Electrical Works	10,730	10,730	0			0			
KR149	Daneshill House - Test & Risk Assessment Remedial Works	90,490	90,490	0			0			
KR151	Daneshill: 2019/20 Backlog Urgent and H&S Works	0	0	0	18,000	18,000	0		65,000	
KR151	Daneshill: Urgent and H&S Works	45,000	45,000	0			0			
GROWTH	Daneshill House - New boiler flue installation			0		22,000	22,000			

APPENDIX D - GENERAL FUND CAPITAL STRATEGY

Cost Centre	Scheme	2020/2021			2021/2022			2022/2023	2023/2024	2024/2025
		Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	Housing and Investment cont.									
	Operational Buildings									
KE503	Indoor Market - Urgent Health & Safety Works	13,900	13,900	0			0			
KR917	BTC - Roof Replacement Preliminary Works	11,090	11,090	0			0			
KR152	BTC 2019/20 Backlog H&S Works	30,000	30,000	0			0			
KR153	BTC Urgent and H&S Works	100,000	100,000	0	38,000	38,000	0			
KR154	BTC Planned Preventative Works	256,000	56,000	(200,000)	6,000	176,000	170,000	172,000	122,000	60,000
	Town Centre									
KR138	Town Square Assets - Condition Survey	2,000	2,000	0			0			
KE504	Station Ramp	35,000	35,000	0			0			
	Total Housing and Investment	1,010,710	630,710	(380,000)	570,500	1,072,500	502,000	307,000	187,000	60,000
	Regeneration									
Various	Land Assembly (GD1)	548,303	548,300	(3)			0			
KE439	Town Square Improvements (GD1)	2,917,575	2,917,570	(5)			0			
KE466	Bus Interchange (GD3)	9,210,385	9,210,390	5			0			
KE533	Multi Storey Car Park (GD3)	1,100,000	1,100,000	0			0			
KE534	Town Centre Improvements (GD3)	2,110,000	2,110,000	0			0			
KE535	Town Fund Delivery - North Block fit-out	1,500,000	1,500,000	0			0			
KE506	Public Sector Hub	1,100,000	200,000	(900,000)		900,000	900,000	2,474,000	13,384,000	13,384,000
	Total Regeneration	18,486,263	17,586,260	(900,003)	0	900,000	900,000	2,474,000	13,384,000	13,384,000
	Community & Neighbourhoods									
KC900	Arts and Leisure Centre - Pipework	240,630	180,000	(60,630)			0			
KC202	Fairlands Valley Park - Aqua				11,361	11,361	0			
KC224	Leisure Stock Condition				20,000	0	(20,000)	20,000		
KC229	Bandley Hill Play Centre - Fencing Replacement	8,000	5,000	(3,000)			0			
KC230	Pin Green Play Centre Equipment	35,000	20,000	(15,000)			0			
KE224	CCTV - Replacement Cameras	13,298	13,300	2	5,000	5,000	0	5,000	5,000	5,000
KE507	Cycleways Installations (subject to £100k Arts Council grant bid)				10,000	10,000	0			
KC232	SALC and the Swim Centre Urgent and H&S Works	60,000	60,000	0	280,000	280,000	0	100,000		
GROWTH	Stevenage Arts & Leisure Est 20 electrical distribution boards						0		30,000	
KC231	SALC, Swim Centre, and Fairlands Valley Sailing Centre 2019/20 Backlog H&S	73,500	73,500	0			0			
KC233	Stevenage Arts & Leisure Water leak	30,000	30,000	0			0			
KC234	Fairlands Valley Park Sailing Centre - Boathouse	0	12,000	12,000	12,000	0	(12,000)			
GROWTH	Stevenage Swimming Centre Pool circulation pumps						0			15,000
GROWTH	Stevenage Swimming Centre Electrical distribution boards						0		25,000	
GROWTH	SLL Leisure management - end of contract capital provision						0	150,000		
KC235	Boat house as essential H&S works for dry rot	0	0	0	15,000	15,000	0			
	Total Community & Neighbourhoods	460,428	393,800	(66,628)	353,361	321,361	(32,000)	275,000	60,000	20,000

APPENDIX D - GENERAL FUND CAPITAL STRATEGY

Cost Centre	Scheme	2020/2021			2021/2022			2022/2023	2023/2024	2024/2025
		Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	Q2 Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	Planning & Regulatory									
KE119	Off Street Car Parks (Multi Storey Car Parks)			0	250,000	250,000	0	250,000	250,000	250,000
KE508	Multi-storey Car Park - New Entrances/Resurfacing	1,450	1,450	0			0			
KE530	Car Park Equipment - Digitalisation	20,000	20,000	0			0			
KE516	Town Centre Ramps Improvements	27,000	27,000	0			0			
KE201	Hard standings				50,000	25,000	(25,000)	25,000	25,000	25,000
KE100	Residential Parking				23,160	23,160	0			
KE470	Electric Car Charging Points	15,000	15,000	0			0			
KE217	Parking Restrictions	10,000	10,000	0	25,000	15,000	(10,000)	15,000	15,000	15,000
KE443	Parking Enforcement - Old Town Permit Parking Area Implementation	10,680	10,680	0	0	0	0			
KE444	Coreys Mill Lane - Additional Parking Capacity	2,000	2,000	0	24,000	24,000	0			
KE531	Workplace Travel Plan	0	0	0	15,000	15,000	0	15,000	15,000	15,000
	Total Planning & Regulatory	86,130	86,130	0	387,160	352,160	(35,000)	305,000	305,000	305,000
KR911	Deferred Works Reserve	53,000	53,000	0	200,000	200,000	0	200,000	200,000	200,000

Cost Centre	Scheme	2020/2021			2021/2022	2022/2023	2023/2024	2024/2025
		Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	SUMMARY							
	Capital Programme Excluding New Build	22,920,667	20,569,980	(2,350,687)	20,983,760	17,655,150	16,238,210	17,715,640
	Special Projects & Equipment	149,495	149,500	5	25,000	25,000	25,000	25,000
	New Build (Housing Development)	9,916,060	10,256,970	340,910	30,177,240	38,219,770	20,024,080	13,589,310
	IT Including Digital Agenda	1,071,240	922,020	(149,221)	463,050	81,330	51,330	51,330
	TOTAL HRA CAPITAL PROGRAMME	34,057,462	31,898,470	(2,158,993)	51,649,050	55,981,250	36,338,620	31,381,280
	HRA USE OF RESOURCES							
BH930	MRR (Self Financing Depreciation)	3,697,950	1,256,664	(2,441,286)	10,959,022	24,692,430	19,037,552	15,698,362
	Land Receipts	400,000	400,000			4,250,000		
BH901	New Build Receipts	1,843,827	1,946,100	102,273	8,842,605	7,822,020	4,315,075	3,967,734
BH903	Debt Provision Receipts	590,617	770,638	180,021	898,217	936,391	975,881	1,058,398
BH905	Section 20 Contribution	3,173,114	3,173,114		1,364,190	1,381,733	73,361	567,636
	Borrowing	23,802,670	23,802,670		26,602,339	15,640,000	11,936,751	4,871,107
	S106					62,091		
	Developer Contributions (Kenilworth)	549,283	549,283	0	2,982,677	1,196,585		
	Revenue Contribution to Capital							5,218,043
	TOTAL HRA RESOURCES FOR CAPITAL	34,057,461	31,898,470	(2,158,991)	51,649,050	55,981,250	36,338,620	31,381,280
			0					
	Major Repair Reserve Bought Forward (BH930)	(4,871,251)	(4,871,251)		(16,101,010)	(17,985,249)	(6,447,000)	(1,215,598)
	Depreciation (increasing MRR)	(12,486,424)	(12,486,424)		(12,843,261)	(13,154,181)	(13,806,151)	(14,482,764)
	MRR Used (decreasing MRR)	3,697,950	1,256,664	(2,441,286)	10,959,022	24,692,430	19,037,552	15,698,362
	Major Repair Reserve Carried Forward	(13,659,725)	(16,101,010)	(2,441,286)	(17,985,249)	(6,447,000)	(1,215,598)	(0)
	Total RTB Receipts Bought Forward	(10,470,269)	(10,470,269)		(9,483,057)	(4,211,959)	(123,687)	289,398
	Total RTB Receipts Received	(2,410,773)	(3,698,923)	(1,288,150)	(4,469,724)	(8,920,139)	(4,877,871)	(5,275,185)
	Total RTB Receipts Used by General Fund (RP)	1,280,000	1,569,397	289,397				
	Receipts used for Registered Providers							
	Repayment of One for One Receipts & Interest							
	Debt Provision Receipts Used for Provision of Interest on Repaid One for One Receipts							
	Total RTB Receipts Used by HRA & General Fund (for RP)	2,834,444	3,116,738	282,294	9,740,822	13,008,411	5,290,956	5,026,132
	Total RTB Receipts Carried Forward	(8,766,598)	(9,483,057)	(716,459)	(4,211,959)	(123,687)	289,398	40,345

Cost Centre	Scheme	2020/2021			2021/2022	2022/2023	2023/2024	2024/2025
		Working Budget	January Draft Revised Budget	Variance Working v Revised Budget	January Draft Revised Budget	January Draft Revised Budget	January Draft Revised Budget	January Draft Revised Budget
		£	£	£	£	£	£	£
	CAPITAL PROGRAMME EXCL. NEW BUILD							
	Planned Investment including Decent Homes							
KH157	Decent Homes - Redecs							
Various1	Decent Homes - Internal/External Works	2,410,690	1,200,000	(1,210,690)	2,620,000	2,257,060	5,450,000	6,750,000
Various2	Decent Homes External Works							
Various3	Decent Homes - Roofing							
Various4	Decent Homes - Flat Blocks	12,834,650	12,834,650		12,095,280	11,000,000	6,600,000	2,000,000
KH300	MRC Miscellaneous							
KH205	Communal Heating	1,881,563	1,881,560	(3)	1,450,000			
KH092	Lift Installation - Inspection & Remedial Works	741,549	741,550	1	650,000	300,000		
KH287	Temporary Lift Provision - Flat Blocks							
KH291	Sprinkler Systems - Flat Blocks	1,921,635	421,640	(1,499,995)	1,500,000			
KH294	High Rises - Preliminary Works	190,000	190,000					
Future Year	High Rises - Improvement Works					1,750,000	1,750,000	1,750,000
Future Year	New Schemes to be created							3,807,870
	Health & Safety							
KH085	Fire Safety	80,410	80,410		80,410	85,000	85,000	500,000
KH112	Asbestos Management	375,250	375,250		300,000	300,000	300,000	300,000
KH114	Subsidence	101,290	101,290		101,290	100,000	100,000	100,000
KH144	Contingent Major Repairs	549,670	549,670		350,000	340,000	365,440	500,000
KH122								
	Estate & Communal Area							
KH223	Asset Review - Challenging Assets	569,230	569,230		856,780	857,770	857,770	857,770
KH224	Asset Review - Sheltered (non RED)	630,130	630,130					
	Other HRA Schemes							
NEW	Stock condition Surveys				60,000	60,000	60,000	80,000
KH174	Energy Efficiency Pilot Projects	24,600	24,600		70,000	20,000	20,000	420,000
KH094	Disabled Adaptations	610,000	970,000	360,000	850,000	585,320	650,000	650,000
	New Business Plan expenditure							
	TOTAL CAPITAL PROGRAMME EXCL. NEW BUILD	22,920,667	20,569,980	(2,350,687)	20,983,760	17,655,150	16,238,210	17,715,640
	SPECIAL PROJECTS & EQUIPMENT							
	HRA Equipment							
KH015	Capital Equipment (including Supported Housing Equip)	24,495	24,500	5				
GROWTH	Capital Equipment (including Supported Housing Equip)				25,000	25,000	25,000	25,000
KH278	Vans for RVS	125,000	125,000					
	Sub Total Special Projects & Equipment	149,495	149,500	5	25,000	25,000	25,000	25,000

Cost Centre	Scheme	2020/2021			2021/2022	2022/2023	2023/2024	2024/2025
		Working Budget £	January Draft Revised Budget £	Variance Working v Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £	January Draft Revised Budget £
	CAPITAL PROGRAMME NEW BUILD							
	New Build Programme - eligible for 1-4-1	6,146,090	6,487,000	340,910	29,475,350	26,073,400	18,268,990	13,225,780
	New Build Programme - ineligible	3,769,970	3,769,970		701,890	12,146,370	1,755,090	363,530
	Build for sale							
	TOTAL CAPITAL PROGRAMME NEW BUILD	9,916,060	10,256,970	340,910	30,177,240	38,219,770	20,024,080	13,589,310
	INFORMATION TECHNOLOGY							
	IT General (IT)							
KH268	Infrastructure Investment	404,550	404,550	(0)	133,830	51,330	51,330	51,330
GROWTH	Core ICT Equipment for Additional Staff				30,000	30,000		
GROWTH	2012 Migration Servers				12,870			
	Total General IT	404,550	404,550	(0)	176,700	81,330	51,330	51,330
	HRA							
KH218	ICT Programme (Business Plan)	109,530	95,910	(13,620)	13,620			
GROWTH	ICT Programme (Business Plan)				72,380			
	Total Other HRA	109,530	95,910	(13,620)	86,000			
	Connected To Our Customers (CTOC)							
KH271	Corporate Website - Redesign	33,290	33,290	(0)	350			
KH288	New CRM Technology	332,420	332,420		1,000			
	Total CTOC	365,710	365,710	(0)	1,350			
	Housing All Under One Roof programme (HAUOR)							
KH283	Housing Improvements - Northgate online	100,980	24,850	(76,130)	76,130			
GROWTH	Housing Improvements - Northgate online				21,870			
KH260	On-Line Housing Application Form - RAPID KZ107	42,910	28,000	(14,910)	14,910			
GROWTH	On-Line Housing Application Form - RAPID KZ107				9,090			
KH286	Housing Document Management System	47,560	3,000	(44,560)	44,560			
GROWTH	Housing Document Management System				32,440			
	Total HAUOR	191,450	55,850	(135,600)	199,000			
	TOTAL ICT INCLUDING DIGITAL AGENDA	1,071,240	922,020	-149,221	463,050	81,330	51,330	51,330

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APPENDIX F: Investment Strategy

Compliance with the main requirements of the Government's Statutory Guidance on Local Authority Investments (MHCLG, 2018) is shown by cross reference in square brackets to the relevant paragraph of the Guidance.

1. Scope and Purpose of Strategy

1.1. "Investments" covers financial investments, including loans and shares, which have been made to support service and commercial objectives. Non-financial investments such as commercial property are included where the main objective is financial return [4]. The purchase of Essex House was an investment made with the objective of financial return, the other properties in the Council's asset register listed as Investment Buildings, such as Neighbourhood Centres and Workshops, fall outside of this strategy. Investments taken for treasury management reasons also fall outside of this strategy and are covered in the Treasury Management Strategy and Policy.

1.2. This strategy sets out the Council's approach to such investments, including their governance, addressing the Government Guidance on Local Authority Investments.

1.3. Investment values provided in this Appendix are the book values in the Council's accounts, unless otherwise stated.

2. Objectives of the Strategy

2.1. To use investments where appropriate and prudent to support the Council's Future Town Future Council (FTFC) aims, including regeneration of the town centre, housing delivery and co-operative neighbourhood management.

2.2. To ensure that investment decisions and management connects with the Council's Financial Security priority, to achieve financial stability for the council so that it maintains a prudent level of balances, while at the same time being able to deliver on the FTFC aims.

2.3. To seek new commercial opportunities which provide a financial return, and will review existing investments with a view to maximising the commercial return from them.

2.4. To manage risks in accordance with the Council's risk appetite and financial circumstances (including due diligence when making investment decisions).

2.5. To ensure that all commercial investments, actions and decisions are ethical in nature and have a positive impact on the community, delivering additional social value and contributing to community wealth building where possible.

3. The Existing Investment Portfolio

3.1. The Council's service and commercial investments are as follows

Table One: Service and Commercial investments			
Name	Value 31/03/20 £'000	Equity Share %	Reason for Investment
Hertfordshire CCTV Ltd	£43 (of £118)	37%	Service investment - Equity
Hertfordshire Building Control Ltd	Not available	12.5%	Service investment - Equity
Hertfordshire Building Control Ltd	£107		Service investment – Long Term Loan
Queensway Properties (Stevenage) LLP	£1,491.5 [of £1.493]	99.9%	Service investment - Equity NB the 0.1% is owned by Marshgate PLC so by SBC but indirectly
Queensway Properties (Stevenage) LLP	£11,824		Service investment – Finance Lease
Queensway Properties (Stevenage) LLP	£6,274	N/A	Service investment - Long Term Loan
Marshgate Ltd	£0	100%	Service investment - Equity
UK Municipal Bonds Agency	£10	0.14%	Service investment - Equity
Essex House	£1,756	N/A	Commercial investment - Property

3.2. The value of financial investments at 31 March 2020 was £75.6Million comprising service and commercial investments of £21.5Million (in Table one) and Treasury Investments of £54.1Million.

4. Investment Policy and Strategy 2020/21+

4.1. Joint working and joint delivery arrangements are key to the provision of Council services. Financial investments are likely to be an ongoing result of these delivery arrangements.

4.2. The Council recognises that all investments carry the risk of financial loss and an estimate of potential losses needs to be identified from the outset.

4.3. The Council will be particularly cautious where service investments are funded wholly or partly from borrowing. Debt “gearing” creates additional costs of interest and repayment. It creates a fixed liability and a fixed repayment obligation, whilst the investment's value and income are at risk.

4.4. There is no scope for the Council to enter into any new, purely commercial, investments, following the response to the recent consultation on the lending terms for the Public Works Loan Board (PWLb). The Council cannot have any scheme in the Capital Strategy where the investment is purely for financial gain, regardless of

whether the transaction would notionally be financed from a source other than the PWLB, or the Council will not be eligible to borrow from the PWLB.

4.5. The Council's risk appetite in relation to new investments is low, including the need to balance the revenue budget and manage the level of debt financing costs. Any new investments will therefore be expected to:

- Show a compelling contribution to the Council's core objectives and planned service strategies, and must be prioritised within the Council's available resources.
- Evidence a low financial risk with a commensurate financial return, or if returns are below commercial levels, provide clear non-financial benefits to the Council which demonstrate strong value for money.
- Strike a prudent balance between security, liquidity and yield (whilst recognising that the delivery of strong service benefits may sometimes justify a higher financial risk) [29].

4.6. Any shortfall in budgeted net income from service and existing commercial investments will be managed through the Council's regular budget monitoring processes [44].

4.7. The arrangements for realising investments and managing liquidity risk will depend on the purpose and nature of the investment in each case. Where investments have been made to support service purposes and have been funded from cash resources, there is not a funding pressure to have an investment exit route in place. Where investments are funded by borrowing, the Council's MRP Policy sets out the arrangements to repay debt without resorting to a sale of the investments [42-43].

5. Financial Investment Plans and Limits for 2020/21+

5.1. The forecast changes to the existing investment portfolio are

- to invest in the new Housing Wholly Owned Company (WOC), pending approval of the report scheduled to be taken to Executive which provides an update on planned activity. The new Housing WOC would be an expansion of Marshgate PLC.
- financing for a further finance lease to Queensway LLP for the residential phase of development.

5.2. The main financial risk when investing in loans and equity is that the loan repayments are not made, and that the shares lose value or dividends are less than expected.

5.3. Investments may also carry liquidity risk, which is the risk that funds may be tied up in investments and not available if needed for other purposes. The Council's due diligence procedures for investments review liquidity risk, including how exit routes

have been considered and the appropriate maximum period for investments to be committed [42].

6. Investment Indicators

6.1. The Key Performance Indicators approved by the Commercial & Investment Executive Committee following the convening in October 2020, the use of which is recommended by the Government Guidance [23]:

Table Two: Key Performance Indicators	
Reporting Category	Reporting Metric
Overarching Commercial Key Performance Indicators	
Increase in revenue from fees and charges that contribute to savings target identified in the MTFS (as approved during February budget setting process)	Percentage (%)
Savings through the insourcing of services/functions	Monetary (£)
Staff who manage contracts across the council trained in contract management	Number (no.)
Instances of proactively working with partnerships to give the council a positive benefit through cost saving/income generation	Number (no.)
Staff reporting more confidence in commercial decision making	Number (no.)
Social value generated through commercial activity	Narrative
Commercial business cases on track to deliver business case (when fully approved and live)	Number (no.)
Area specific Key Performance Indicators	
Return from our commercial assets/yield from acquisitions and investments (e.g. Essex House)	Percentage (%)
Income from commercial property	Monetary (£)
New commercial property lets	Number (no.)
Level of small land sales	Monetary (£)
New garages returned for rental as a result of the Garage Improvement Programme (GIP)	Number (no.)
Occupied garages as a percentage of stock	Percentage (%)
Indoor Market occupied units (excluding those hired at charitable rates)	Percentage (%)
New businesses setting up in the Indoor Market	Number (no.)
Level of footfall in the Indoor Market	Number (no.)
Trade waste (once live) gains and losses	Monetary (£)

7. Governance

7.1. The Commercial & Investment Executive Committee is a Committee of the Executive. The purpose of the Committee is to enable the organisation to oversee and support the development of Co-operative Commercial and Insourcing programmes of work. The Committee will provide commercially focused strategic thinking and direction and will encourage the organisation to work efficiently, achieving value for money, and delivering the Co-operative Commercial and Insourcing Strategy.

7.2. The Committee's Terms of Reference were approved by the Executive at its meeting held in August 2020, and are:

- To exercise delegated authority to review and approve new income streams and commercial business cases (including those that are key decisions).
- To consider and approve financial resources where necessary to progress commercial projects.
- To approve schemes of up to £5m where the budget is already established. In the event that a new budget needs to be approved, the amounts delegated to the Executive apply.
- To encourage the development of new opportunities through establishing a risk appetite that stimulates the evaluation of new emerging markets and opportunities.
- To consider and approve documents relating to the Co-operative Commercial and Insourcing Strategy and regularly review the strategy.
- To scrutinise and ensure the delivery of approved business cases and all aspects of the Co-operative Commercial and Insourcing Strategy.
- To provide strong, strategic leadership to build a robust commercial culture.
- To maintain an oversight of all income generating functions through the reporting of key performance indicators.
- To review key commercial arrangements including contracts, contract and performance management processes and major service developments. The Committee will track the progress of such developments and provide guidance and steer, as appropriate.

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