Part I
Release to Press

Meeting: **EXECUTIVE** **Agenda Item:**

Portfolio Area: Resources

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QUARTER 3 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 2020/21 and 2021/22 capital programme.

1.2 To seek approval for the revisions to the General Fund (GF) and Housing Revenue Account (HRA) capital programme.

2 RECOMMENDATIONS

2.1 That the 2020/21 General Fund capital programme net decrease in expenditure of £750K be approved, as summarised in table one and detailed in section 4.2.

2.2 That the £232K growth for additional investment in Vehicles be approved and added to the capital programme for 2021/22 as detailed in paragraph 4.2.3.

2.3 That the 2021/22 General Fund capital programme net increase in expenditure of £782K be approved (including the above growth), as summarised in table one and detailed in section 4.2.

2.3 That the 2020/21 Housing Revenue Account capital programme slippage of £4.838Million be approved, as summarised in table six, section 4.6 refers.

2.4 That the 2021/22 Housing Revenue Account capital programme net increase in expenditure of £4.487Million be approved, as summarised in table six, three, section 4.6 refers.

3 BACKGROUND

3.1 The latest 2020/21 capital programme was approved at Council on 24 February 2021. The 2020/21 approved budget for each fund was:

- General Fund £20.878Million
- Housing Revenue Account £31.600Million

3.2 This report provides an update on the programme and includes revisions to the programme that were not available/ known at the time of writing the Capital Strategy report to the February Executive.

3.3 There has been slippage reported as part of the Capital Strategy and also included within this report that has been exacerbated by COVID in the commissioning and completion of works.

4 REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2020/21 and 2021/22 General Fund (GF) Capital Programme Summary

4.1.1. The updated projected spend for the 2020/21 General Fund capital programme at Quarter 3 is £20.128Million, this is a decrease of £0.750Million, with a corresponding increase of £0.782Million for 2021/22 giving a £18.182Million programme. This is shown by programme in table one below:

Table 1: General Fund	2020/2021			2021/2022		
General Fund Capital Programme 2020-22	Final Capital Strategy £	Q3 Revised Budget £	Final Budget v Q3 £	Final Capital Strategy £	Q3 Revised Budget £	Final Budget v Q3 £
Stevenage Direct Services	1,434,140	1,397,140	(37,000)	3,612,970	3,775,820	162,850
Housing Development	2,177,640	2,177,640	0	7,003,669	7,003,669	0
Finance and Estates	1,078,820	948,870	(129,950)	1,640,040	1,758,130	118,090
Corporate Projects, Customer Services & Technology	1,068,050	641,280	(426,770)	369,530	796,300	426,770
Regeneration	14,586,260	14,586,260	0	3,900,000	3,900,000	0
Communities and Neighbourhoods	393,800	240,300	(153,500)	321,361	381,361	60,000
Planning and Regulatory	86,130	71,960	(14,170)	352,160	366,330	14,170
Deferred Works Reserve	53,000	64,860	11,860	200,000	200,000	0
Programme Total	**20,877,840**	**20,128,310**	**(749,530)**	**17,399,730**	**18,181,610**	**781,880**

(£) indicates reduction in spend /increase in income

4.2 2020/21 and 2021/22 GF Movement in Budget Since the Final Capital Strategy

4.2.1 **Stevenage Direct Services** capital spend overall has reduced by £37K due to slippage on Hertford Road Play Area (£25K) and the welfare improvements at out based hubs (£10K). The latter relates to the saving option to cease the use of the yellow site huts and the budget will be spent in 2021/22 and £2K on plant and Equipment.

4.2.2 However overall there is growth in the Stevenage Direct Services capital programme for future years. As part of quarterly review three vehicles require replacement in 2021/22 at a cost of £232K in 2021/22. This is partly due to lead-in times of ordering vehicles and the need to replace tractors has been recommended. There is a further re-profiling of vehicle/plant replacement programme expenditure planned for 2021/22 which will now be deferred for 2022/23 (£146K) to mitigate part of the increased cost in 2021/22 of the vehicles below.

Table 2 Additional vehicles	2021/22	Commentary
Replacement for LN09 PLU Refuse Vehicle	166,852	8 month lead-in time. £4k-£5k trade-in value for larger vehicle not being used . The intention had been not to replace as the service review would reduce numbers. However, the requirement timescales for a full round review alongside housing growth mean a replacement is now needed to ensure current service delivery.
Tractor replacements for JCB 2X & F589FUD	65,000	Tractors with a loader for flexibility, replace 3 old with 2 new vehicles. 3-4 month lead-in time. Life spand have been pushed back on review but they are now required to be renewed.
Total Requested	**231,852**	

4.2.3 In addition to the vehicle growth in 2021/22 there is also slippage brought forward from 2022/23 for Green Space Access Infrastructure project requested to be spent in 2021/22,(£40K).

4.2.4 **Corporate Projects, Customer Services and Technology -**planned expenditure on IT projects has been slipped to 2021/22 due to the focus in 2020/21 on the Network Replacement Project, Microwave Link, VDI and Microsoft 365 (£359K). A further £10K of planned expenditure on the Corporate Website Redesign (£10K) and expenditure on Customer Relationship Management (CRM) technology (£58K) will also now be spent in 2021/22.

4.2.5 **Finance and Estates**-there is a 2020/21 slippage on the programme into 2021/22, some of these works have been impacted by COVID and are:

- Depot expenditure (£65K)
- Business and Technology Centre (BTC) (£48K)
- Community Centre Health and Safety works (£5K) of now taking place during 2021/22.

4.2.6 In addition to the slippage in 2020/21 there are a number of under and over spends. The biggest underspend relates to the boiler works at Bedwell Community Centre boiler works which were £20K less than estimated as a result of an alternative solution implemented, which restored the heating system to working order without full replacement.
There are other Finance and Estates projected net overspends of £8.9K which relates to:

- Underspend on 2020/21 health and safety works at Community Centres (£10K)
- Small overspend on St Nicholas centre boiler (£2.9K)
- Small overspend on Springfield house wall (£2K)
- Underspend on the Town Hall Ramp (£6K).
- Cabling works at the Council offices were £20K overspent on the £45K budget. However £20K was given up at budget setting which was done in error.

4.2.7 **Communities and Neighbourhoods –** there is slippage from 2020/21 into 2021/22 on the Arts and Leisure Centre (£30K) for the pipework replacement project and on new equipment installation at Pin Green Play Centre (£18K) and the boathouse and Fairlands Valley Park (£12K).

4.2.8 There is also re-profiled slippage for the cost of replacing the distribution board at the Leisure Centre, this was in 2020/21 but has been now planned for 2023/24 (£45K).

4.2.9 The health and safety works required at SALC, Swim Centre, and Fairlands Valley Sailing Centre have cost £49K less than previously budgeted for. Generally some of these health and safety works initially identified have been completed under other repair and maintenance regimes including compliance works.

4.2.10 **Planning and Regulatory Services -**expenditure on town centre ramp improvements is projected to be £9.8K lower than budgeted with a further £10K of the budget now anticipated to be spent in 2021/22. There is also £4K of expenditure relating to electrical charging points deferred to 2021/22.

4.2.11 The cost of the parking enforcement scheme in the Old Town was budgeted at £10.7K but this now projected to be £16.8K. The implementation of a parking permit area came after a longer consultation exercise, resulting in higher costs for staff time and postage than originally anticipated. The cost of the contract for the supply and installation of signage was higher than the original budgeted for. The resulting £6k overspend has been offset by underspends in other engineering budgets."

4.2.12 **Deferred Works Budget** – This budget is used to address unforeseen works and as a result of the under spends in 2020/21. A small increase of £12K has been added to the budget. If this budget is underspent in 2020/21 it can be used in 2021/22 to fund any pressures particularly any of the growth bids not approved at budget setting or growth removed to balance the Capital Strategy.

4.2.13 A summary of the changes to the capital programme are shown in table three below and 86% of the reduction in 2020/21 relates to slippage with the remaining 14% as a result of net underspends.

Table 3: Programme Movement by Type			
General Fund Capital	**2020/21 Q3 Revised Budget £**	**2021/22 £**	**2022/23 £**
Slippage in later years	(£645,940)	(£106,000)	£0
Slippage in future years	£0	£645,940	£106,000
Underspends	(£138,950)	£0	£0
Overspends	£35,360	£10,090	£0
Growth	£0	£231,850	£0
Total Programme	**(£749,530)**	**£781,880**	**£106,000**

(£) indicates reduction in spend /increase in income

4.2.14 The additional growth and reported underspends for 2020/21-2021/22 total £138,350 in this report and therefore are within the £250,000 delegated to the Executive to approve for schemes which can be funded within existing capital resources.

4.3 Capital Resources General Fund

4.3.1 Capital Receipts from disposals for the current and future years have been reviewed and have increased by £27K due to an increase in adhoc minor sales.

Table four: Disposal Schedule (General Fund)	February Final Budget	Q3 Revised Budget	Variance
	£'s	£'s	£'s
Total 20/21 Capital Receipts Estimate	(2,433,759)	(2,460,759)	(27,000)
Total 21/22 Capital Receipts Estimate	(5,185,480)	(5,185,480)	0
Total 22/23 Capital Receipts Estimate	(5,327,040)	(5,327,040)	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	**(49,886,779)**	**(49,913,779)**	**(27,000)**

4.3.2 The Locality review receipts forecast remains unchanged since the February 2021 Council Final Capital Strategy. The total value of receipts expected from disposals between 2021/22 and 2023/24 is £4.459Million with £474K required for 2021/22.

4.3.3 The current capital strategy also includes the use of Section 106 (S106) monies to support current and future capital schemes, this position is also unchanged.

Table Five: S106 Update					
S106 balance	Total Available	2020/21 Forecast	remaining	Future Years Forecast	remaining
	£	£	£	£	£
Affordable Housing	62,091		62,091	62,091	-
Children's Playspace / open space	27,867	27,867	-	-	-
Community / Greenspace / Ecological Infrastructure	70,338		70,338	70,338	-
Parking / Transport	156,189	8,191	147,998		147,998
Gardening Club	4,576		4,576		4,576
Arboretum	25,420	25,420	-		-
Biodiversity Net Gain	45,867		45,867		45,867
Pedestrian Link	35,000		35,000		35,000
Household Surveys	15,990		15,990		15,990
Total	**443,337**	**61,479**	**381,859**	**132,429**	**249,430**

4.3.4 Prudential borrowing required to support the Capital programme will be a treasury management decision as to when the external borrowing is actually taken. As per the Treasury Management Strategy, while cash balances are high and rates for borrowing are significantly higher than interest earned on balances, internal borrowing will be used.

4.4 2020/21 and 2021/22 Housing Revenue Account (HRA) Programme Summary

4.4.1 The updated projection for the 2020/21 HRA capital programme is £26.762Million a budget decrease of £4.838Million on the position presented as part of the Final Capital Strategy report to February Council. There is an increased budget requirement of £4.487Million in 2021/22.

Table six : HRA Capital Programme	2020/21			2021/2022		
Scheme	**February Final Capital Strategy £**	**Q3 Revised Budget £**	**Capital Strategy Budget v Q3 £**	**February Final Capital Strategy £**	**Q3 Revised Budget £**	**Capital Strategy Budget v Q3 £**
Capital Programme Excluding New Build	20,569,980	16,511,080	(4,058,900)	21,822,260	25,881,160	4,058,900
Special Projects & Equipment	149,500	149,500		25,000	25,000	
New Build (Housing Development)	9,958,901	9,608,901	(350,000)	30,177,240	30,176,560	(680)
IT Including Digital Agenda	922,020	492,981	(429,040)	463,050	892,090	429,040
TOTAL HRA CAPITAL PROGRAMME	**31,600,401**	**26,762,462**	**(4,837,940)**	**52,487,550**	**56,974,810**	**4,487,260**

4.5 2020/21 and 2021/22 HRA Movement in Budget Since the Final Capital Strategy

4.5.1 The majority of the decrease to the budget in 2020/21 relates to slippage on the capital programme for workings to the existing stock. This is largely due to the impact of Covid restrictions, where works have been halted due to the National restrictions, works are now due for completion in 2021/22. The projections were not completed until after the Capital Strategy had been published for the February Executive.

Schemes	2020/21	2020/21 (Revised)	Slippage
Decent Homes - Internal/External Works	£1,200,000	£730,000	(£470,000)
Decent Homes - Flat Blocks	£12,834,650	£11,834,650	(£1,000,000)
Communal Heating	£1,881,560	£650,000	(£1,231,560)
Lift Installation	£741,550	£450,000	(£291,550)
Sprinkler Systems - Flat Blocks	£421,640	£150,000	(£271,640)
Asbestos Management	£375,250	£250,000	(£125,250)
Contingent Major Repairs	£549,670	£300,000	(£249,670)
Asset Review - Challenging Assets	£569,230	£150,000	(£419,230)
Total	**£18,573,550**	**£14,514,650**	**(£4,058,900)**

4.5.2 Slippage of £350K is projected for the New Development budget, however this represents 3.5% of the overall budget of £9.9Million and is across a number of schemes.

4.5.3 The HRA share of Council ICT costs has also been re-profiled into 2021/22 as set out in paragraph 4.2.4. A further £36.7K relating to the FTFC programme ‘Excellent Homes for Life’ is reported of which £28K is slippage on the On-Line Housing Application Form project.

4.6 Capital Resources Housing Revenue Account

4.6.1 The HRA had 13 Right to Buy (RTB) sales by the end of the third quarter (28 RTB sales by the same point last year). The forecast for the year remains unchanged at 27 sales on the basis of expressions of interest, and a further 4 sales have taken place to date in quarter 4 bringing the current total to 17.

4.6.2 The HRA capital funding resources have been re profiled for the current year with the use of Major Repairs Reserve (MRR) (£3.2Million) replacing the use of Section 20 contributions, that should have been re-profiled in later years reflecting the expenditure on the Major Repairs Contract.

4.6.3 The slippage in 2020/21 HRA spend (£4.1Million) from 2020/21 to 2021/22, has reduced the amount of borrowing required in 2020/21and £2.9Million of the loans are projected to be taken in 2021/22.

4.6.4 The total amount of HRA borrowing remains unchanged for the period 2020/21 to 2024/25 (£78.0Million). However the physical taking of loans versus internal borrowing is a treasury management decision, as to when the external borrowing is actually taken.

4.6.5 Capital resources unused at year end relate to the MRR reserve of £15Million and restricted use 1-4-1 receipts (£9.8Million), the latter monies can only apply 30% to the cost of any one new build property. The MRR and 1.4.1 receipts are planned to be fully utilised in the HRA Business Plan.

4.7 Update on Other HRA Schemes

4.7.1 The Decent Homes programme forms a large part of the ongoing investment programme of the HRA. 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. condition is measured) in 2020/21 is 271 to the end of December, against an in year target of 327 to the same period. The target for the year remains at 557 properties in total for 2020/21. Due to COVID restrictions only essential works are being carried out within the housing stock which has had an impact on hitting the target for this financial year. If restrictions are lifted by the new financial year, the service is looking to make up for the shortfall this 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 Equalities and Diversity Implications

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

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

5.4 Risk Implications

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

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

5.4.3 A significant risk exists that works deferred due to lack of funding become urgent in year, requiring completion on grounds of health and safety. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum, and these schemes are monitored by the Assets and Capital Board. There is a £200K Deferred Works budget held for such items in the budget each year.

5.4.4 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%).

5.4.5 The level of receipts for the General Fund is a significant source of funding for its capital programme. There are risks around achieving the level of disposals budgeted for which is critical in 2021/22 as the programme relies on a couple of significant receipts. The Council manages this risk by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete and enabling action to be taken where a receipt looks doubtful.

5.4.6 The Council must keep the Strategy under review, which may be impacted by COVID losses and the need to put spend on hold as in 2020/21 budgets.

5.4.7 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 carbon zero by 2030 target.

5.5.2 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 PAPERS

- BD1 – FINAL CAPITAL STRATEGY 2020/21-2024/25