Part I – Release to Press

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

Portfolio Area: Resources

Date: **11 August 2021**

2020/21 CAPITAL EXPENDITURE OUTTURN
KEY DECISION

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1. PURPOSE

1.1 To update Members on the outturn position on the 2020/21 capital programme including the resources used to fund capital expenditure.

1.2 To update Members on the Council's Capital Strategy and any changes to the 2021/22 and future year's capital programme.

1.3 To update Members on the actual 2020/21 Minimum Revenue Provision (MRP) and the MRP for 2021/22.

1.4 To update Members on the resources available to fund the Capital Strategy.

2. RECOMMENDATIONS

2.1 That the 2020/21 General Fund capital expenditure outturn (£17.652Million) as summarised in paragraph 4.1.1 be noted, (subject to the completion of the 2020/21 external audit of accounts).

2.2 That the 2020/21 HRA capital expenditure outturn (£26.71Million) as summarised in paragraph 4.4.1 be noted, (subject to the completion of the 2020/21external audit of accounts).

2.3 That the funding applied to the 2020/21 General Fund capital programme, as summarised in paragraph 4.2.1, be approved.

2.4 That the funding applied to the 2020/21 HRA capital programme, as summarised in paragraph 4.5.1, be approved.

2.5 That the 2021/22 General Fund capital programme increase of £2.114Million, as set out in paragraph 4.3.1, be approved.

2.6 That the 2021/22 HRA capital programme increase of £1.288Million as set out in paragraph 4.6.1, be approved.

3. BACKGROUND

3.1 The 2020/21 capital programme was last approved by Members at the March 2021 Executive as part of the 3rd quarter monitoring report. At the March Executive the 2020/21 revised General Fund capital programme was projected to be £20.13Million and the 2020/21 revised HRA capital programme was projected to be £26.8Million a total of £46.9 Million.

3.2 The 2020/21 capital programme has been impacted by the Covid19 pandemic, (as reported in the quarterly monitoring reports during 2020/21), with some works requiring re-phasing. In addition a number of measures were taken back in June 2020 to reduce the cost of the capital programme on the General Fund. The measures taken, approved at the June Executive and included in the capital programme were:

- Reducing the use of revenue contribution to capital (RCCO) by using an earmarked Regeneration receipt -£508K 2020/21 (2019/20 £1.2M), improving the General Fund balances by £1.7Million.
- Works totalling £125K were removed from the capital programme relating to:
    - CCTV £25K
    - Hard standings programme - £70K
    - Workforce travel plan- £15K
    - Parking Restrictions- £15K (part budget)

3.3 Further measures have been taken to improve the financial resilience of the General Fund in resourcing the capital programme 2021/22 onwards, helping to mitigate the cost of COVID and the revenue funding gap which is the sale of Locality Review sites as approved at the 2020 September and December Executive. This has reduced revenue contributions from the General Fund up to and including the financial year 2026/27, as shown below.

Table one Spend Requirements :	21/22	22/23	23/24	24/25	25/26	26/27	Total
	£'000						
Contribution to Capital Reserve	£0	£7	£250	£250	£250	£250	£1,007
Play & Bins (Capital)CNM	£0	£284	£220	£0	£0	£0	£504
Contribution to RCCO GF	£474	£474	£474	£474	£474	£474	£2,844
Total	£474	£765	£944	£724	£724	£724	£4,355
Receipts required each year	(£474)	(£765)	(£944)	(£724)	(£724)	(£724)	(£4,355)
Estimated receipts remaining							**(£104)**

3.4 The General Fund capital programme still continues to be limited to priority works and third party funded schemes because of the constraints on capital resources available.

3.5 The Accounts and Audit Regulations contain provisions on financial management, annual accounts and audit procedures. Within the amended regulations there is no requirement for Member approval of the Statement of Accounts prior to the completion of the external audit and only the Responsible Financial Officer must certify the presentation of the pre audit annual accounts.

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

3.7 The deadline for unaudited accounts has been extended to the 31 July (2021) (formally 31 May). However even with the extension the production of the pre-audit accounts has been impacted by the delay to the 2019/20 audited account process, key staff leaving and the impact of additional financial monitoring as a result of COVID. This has meant the pre-audited accounts were not published on the Council's website by the 31 July 2021 and a notice to that effect was disclosed on the Council website. The Finance Team are working hard to meet an August deadline.

3.8 This report therefore includes unaudited outturn figures which may be subject to change following the completion of the external audit for the financial year 2020/21.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2020/21 GENERAL FUND CAPITAL PROGRAMME

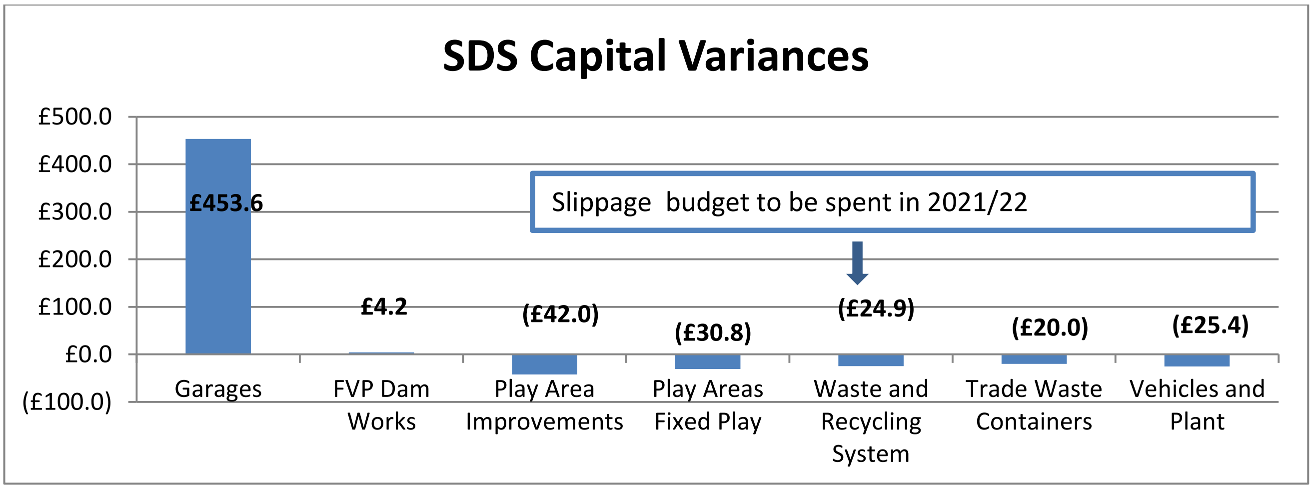
4.1.1 The actual outturn for General Fund capital expenditure was £2.15Million lower than that projected in the March 2021 report (as summarised below). However Members should note that even under restrictions in force during 2020/21 works to the value of £17.65Million were completed, with the majority of the slippage/underspend relates to regeneration related schemes, comprising 81% of the net underspend. Again Members will be aware that a significant part of the Regeneration scheme programme relates to Growth Deal monies (GD3) that was only unlocked for the Council to spend on the 20 March 2020.

Table Two	2020/21 £'000			2021/22 £'000			
General Fund Capital Programme	Working budget	Actual	Var.	Slippage from 2020-21	Working budget	Revised budget	Var.
Stevenage Direct Services	£1,397.1	£1,711.8	£314.7	(£310.5)	£3,775.8	£3,465.4	(£310.5)
Housing Development	£2,177.6	£2,137.4	(£40.2)	£47.4	£7,003.7	£7,051.1	£47.4
Finance & Estates	£948.9	£535.0	(£413.9)	£414.2	£1,758.1	£2,172.4	£414.2

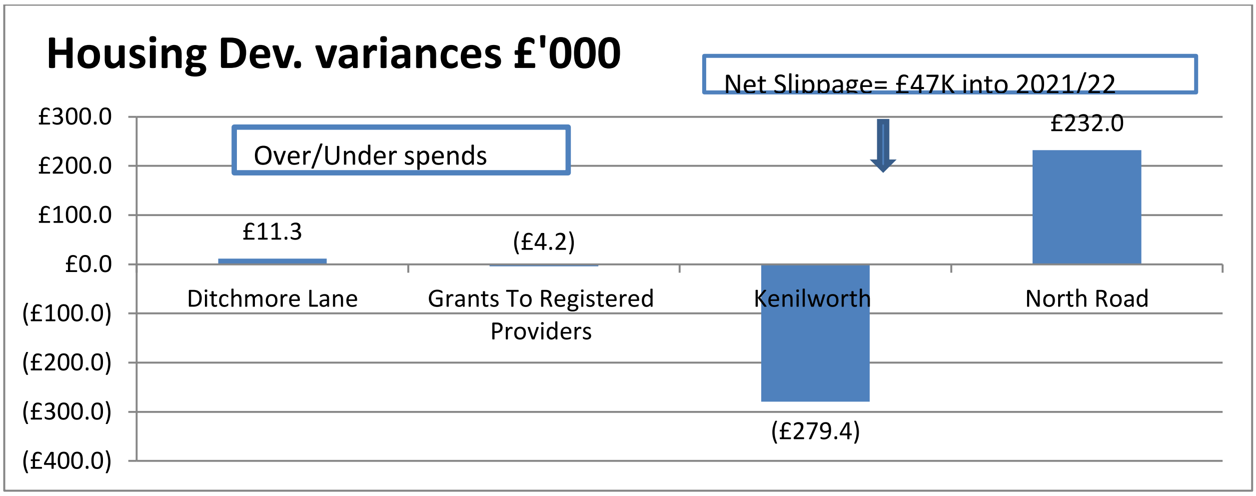
Table Two General Fund Capital Programme	2020/21 £'000 Working budget	 Actual	 Var.	2021/22 £'000 Slippage from 2020-21	 Working budget	 Revised budget	 Var.
Corporate Projects, Customer Services & Technology	£641.3	£442.1	(£199.2)	£103.1	£796.3	£899.4	£103.1
Regeneration	£14,264.7	£12,516.0	(£1,748.7)	£1,794.5	£3,900.0	£5,694.5	£1,794.5
Communities & Neighbourhoods	£240.3	£257.2	£16.9	(£16.9)	£381.4	£364.4	(£16.9)
Planning & Regulatory	£72.0	£53.3	(£18.7)	£18.0	£366.3	£384.4	£18.0
Deferred Works Reserve	£64.9	£0.0	(£64.9)	£64.9	£200.0	£264.9	£64.9
Total	**£19,806.8**	**£17,652.8**	**(£2,154.0)**	**£2,114.7**	**£18,181.6**	**£20,296.3**	**£2,114.7**

4.1.2 Further analysis between budget and actual spend are shown below by Business Unit - **Stevenage Direct Services (SDS) –** There was a net overspend for SDS of £314K, a mixture of over and underspends. The biggest element was £454K of garage programme spend ahead of the budgeted profile, (£929K spend versus a working budget of £477K). However, Members should note when the 2020/21 Capital Strategy was approved back in February 2020, the 2020/21 original budget was £3.6Million, subsequently reduced in year and re-profiled into later years. The 2021/22 garage programme budget has been reduced by £454K to reflect the spend brought back into 2020/21.

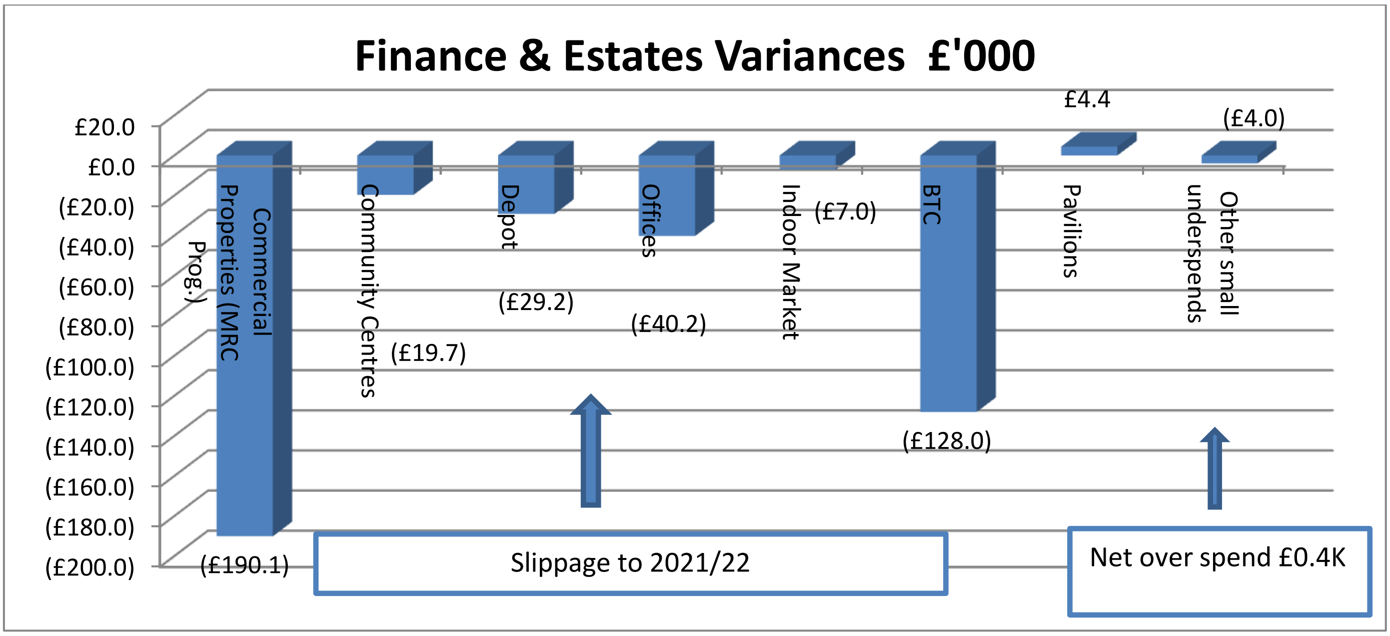
4.1.2 The remaining underspends are across a number of schemes summarised in the chart below and projected to be spent in 2021/22.



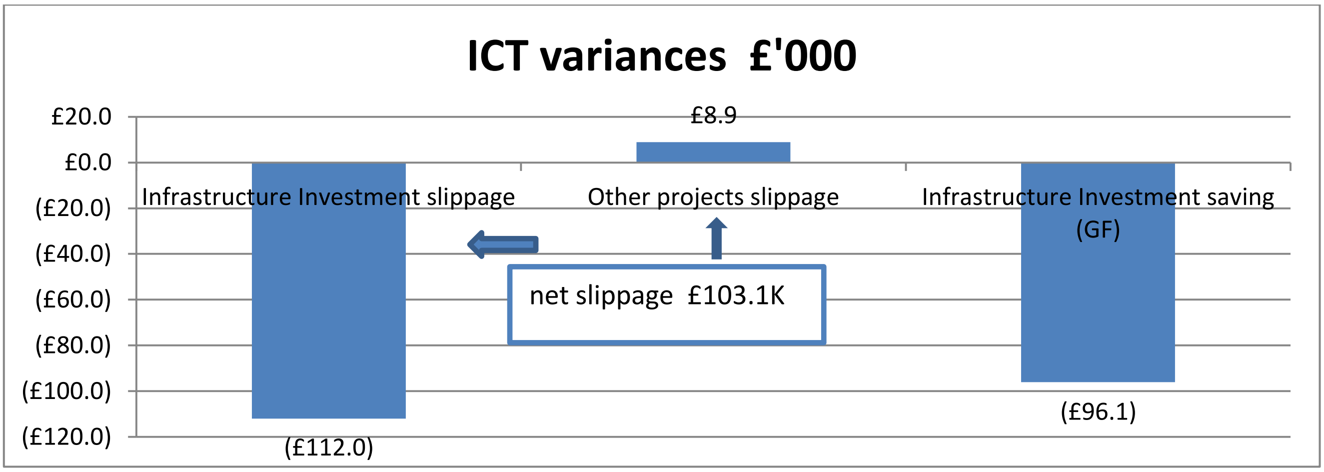
4.1.3 **Housing Development**- there was an underspend of £40K or 1.9% of the total budget, however within this was £11.3K relating to a small overspend as summarised in the chart below. The small overspend on the Ditchmore development is fully funded from the sale receipts.



4.1.4 **Finance and Estates**- There was a 2020/21 underspend of £413.9K, with a large part, £190.1K or 46% relating to slippage on works to commercial shops from the MRC programme, (the General Funds share of the shared areas for flats above shops). The Finance and Estates slippage is shown in the chart below and is across the Council's estate.



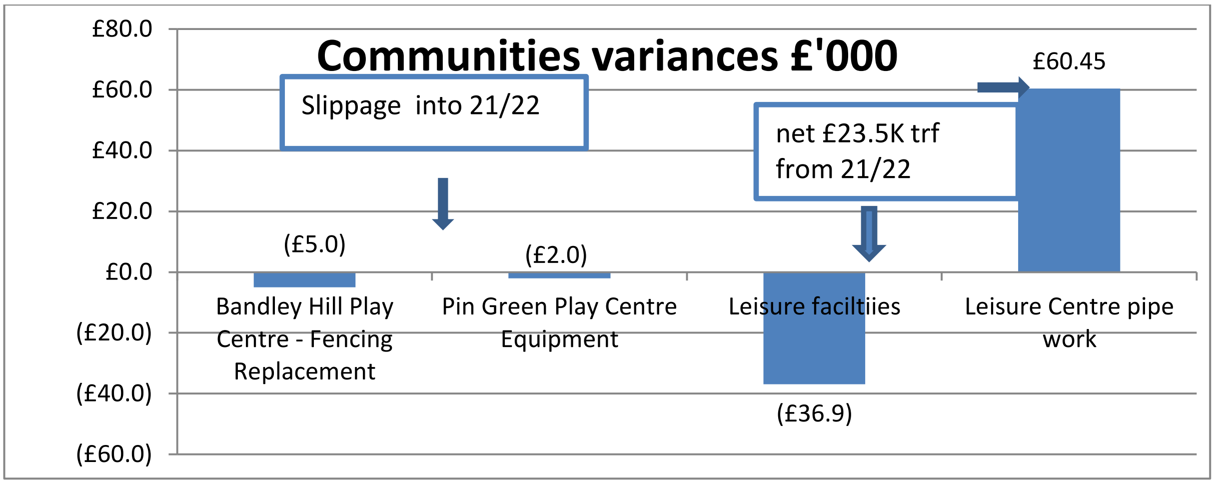
4.1.5 **ICT and Digital projects** underspend was £199.2K, of which £96.1K related to the General Fund share of the ICT infrastructure savings (HRA £65.5K). The budget was not required in 2020/21 as the spend had been accounted for in the previous year. The remaining ICT budgets were an overall net underspend of £103.1K slipped to 2021/22



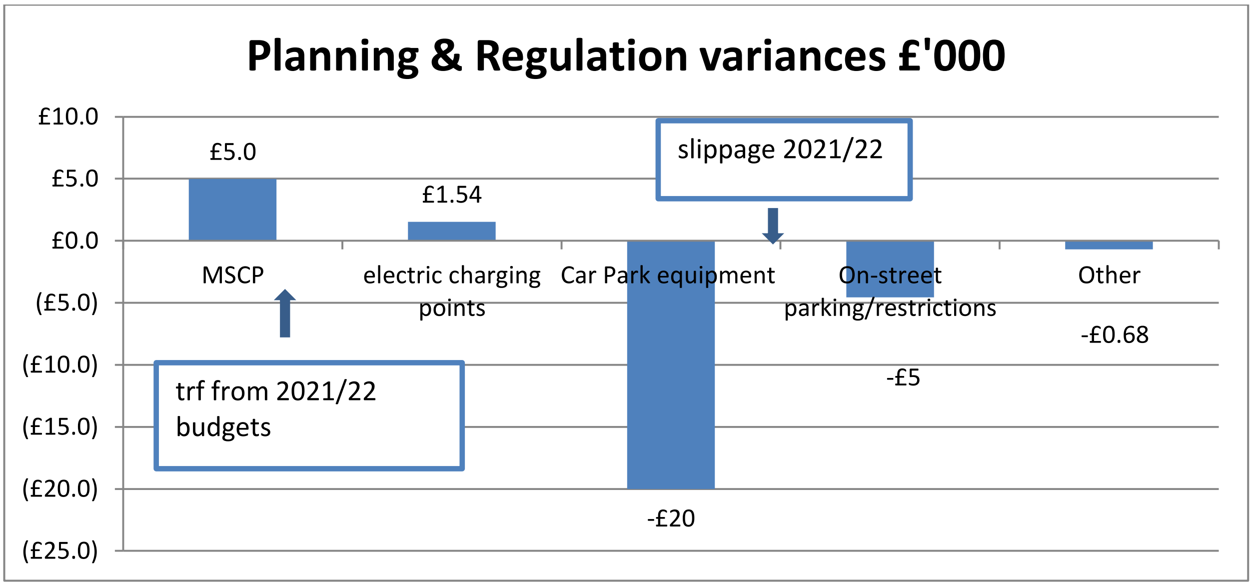
4.1.6 **Regeneration** capital budgets had a net underspend of £1,748.7K, (underspends of £1.784.8M and an overspend £45.8K). The majority of the underspend relates to North block fit out costs of £1.12Million, which has been spent in 2021/22 and there was a further £500K and £172K, slipped to 2021/22 for the bus interchange and design work for the Railway North MSCP respectively.

4.1.7 The overspend in 2020/21 of £45K related to more of the Regeneration Team salary costs being capitalised, based on their work on the capital projects for the year, but funded from the Regeneration allocated reserve and not capital resources.

4.1.8 **Communities and Neighbourhoods-**There was a net overspend of £16.9K on Community budgets, but this did include an overspend on the pipe works at Stevenage Leisure Centre of £60.4K. However £30K of this was already in the 2021/22 budgets and the remaining overspend has been found within other budgets. This means the 2021/22 programme will be £16.9K lower, giving no overall variance for the two years combined. This position is summarised below.



4.1.9 **Planning and Regulatory-** There was a net underspend of £18.7K, but this did include spending 2021/22 capital budgets of £6.5K on MSCP and electric charging points and the budgets in 2021/22 has been reduced by a compensation amount. The remaining £25K has been slipped into 2021/22, predominately for car park equipment digital works as summarised below.



4.1.10 **Deferred Works Reserve**- £64.9K of the deferred works reserve was not required in year, however it is anticipated that there will be further pressures on the capital programme in 2021/22 and the budget is requested to be slipped into that year.

4.1.11 The 2020/21 General Fund capital programme had a net underspend of £2.154Million, which is summarised in the table below.

Table Three **General Fund Capital Programme Summary**	**2020/21 £'000**	**2021/22 £'000**	**Funded from allocated reserve £'000**	**Funded from higher Housing Dev sale receipts £'000**	**Impact on capital resources £'000**
Slippage	(£2,114.7)	£2,114.7	£0.0		£0.0
Other net overspends	£56.8	£0.0	(£45.8)	(£11.3)	(£0.2)
ICT saving	(£96.1)	£0.0	£0.0		(£96.1)
Total	**(£2,154.0)**	**£2,114.7**	**(£45.8)**	**(£11.3)**	**(£96.3)**

4.2 2020/21 GENERAL FUND CAPITAL RESOURCES

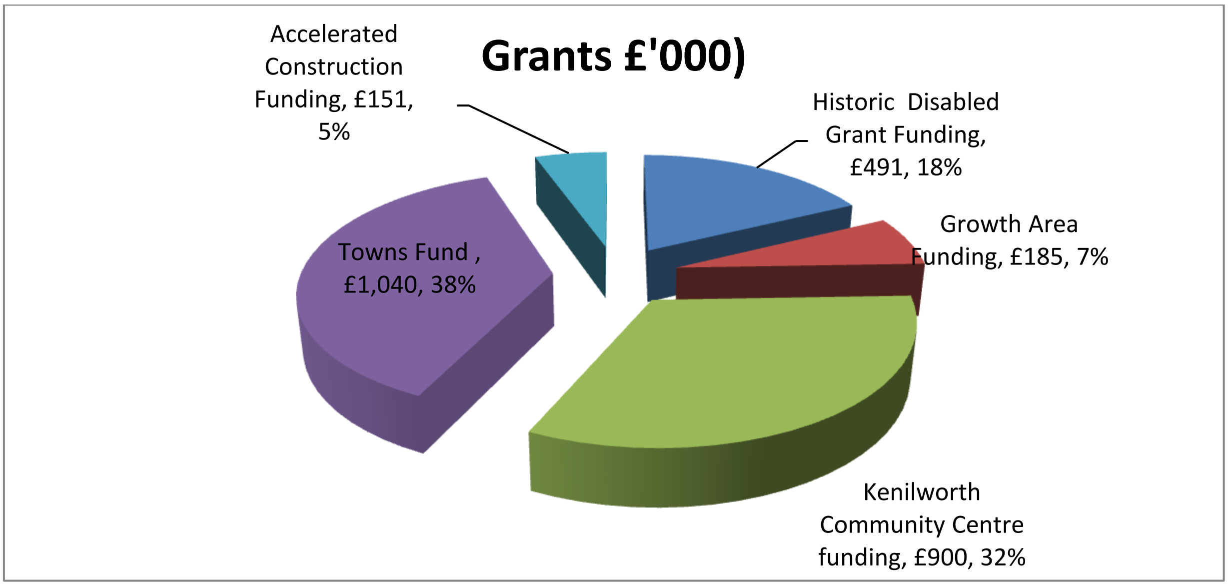
4.2.1 The total resources used and available to fund future General Fund capital expenditure are summarised in the following table:

Table four- General Fund Resources	**Brought forward**	**Received in Year (for capital)**	**Used in HRA**	**Used in Year**	**Available to Fund Future Year Expenditure**
	£'000	£'000	£'000	£'000	£'000
Usable Capital Receipts	(£3,644.5)	(£1,923.7)	£0.0	£4,146.0	(£1,422.2)

Table four- General Fund Resources	Brought forward	Received in Year (for capital)	Used in HRA	Used in Year	Available to Fund Future Year Expenditure
Usable Capital Receipts ring fenced for Regeneration	(£508.4)	£0.0	£0.0	£508.4	£0.0
One for One Receipts- contribution from HRA	£0.0	(£1,275.8)	£0.0	£1,275.8	£0.0
Section 106 Receipts	(£292.8)	(£118.3)	£62.1	£0.0	(£349.0)
Grant and Other Contributions General Fund	(£1,630.4)	(£1,679.0)	£0.0	£541.9	(£2,767.5)
Capital reserve	(£1,094.0)	(£714.4)	£0.0	£415.0	(£1,393.3)
LEP Funding	£0.0	(£9,736.8)	£0.0	£9,736.8	£0.0
RCCO (includes use of revenue reserves)	£0.0	(£72.9)	£0.0	£72.9	£0.0
Revenue - New Homes Bonus (available for capital)	(£285.9)	(£342.4)	£0.0	£164.6	(£463.7)
Short Term Prudential borrowing	£0.0	(£548.7)	£0.0	£548.7	£0.0
Prudential borrowing	£0.0	(£242.7)	£0.0	£242.7	£0.0
Total	**(£7,455.9)**	**(£16,654.7)**	**£62.1**	**£17,652.8**	**(£6,395.7)**

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

4.2.2 The largest capital funding resource as at 31 March 2021 are grants and contributions (£2.8Million) which consists of grants as set out in the chart below. These are either committed or ring fenced to schemes, with the exception of historical Disabled Facilities grant (DFG) balances which could be used by the Hertfordshire Homes Improvements Agency (HHIA) if/when in year resource allocations fall short. *(For note: DFG allocations have increased in the last two years and have not been fully spent by the HHIA).*



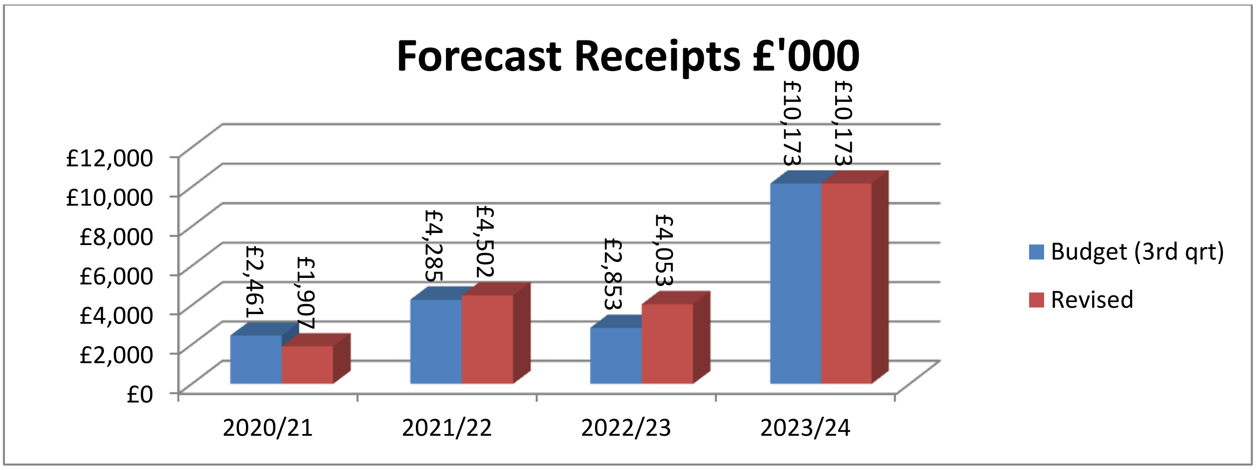
4.2.3 The 2020/21 General Fund capital receipts received in year were £1.947Million compared to budgeted receipts of £2.5Million, this is £553K lower than budgeted, with some sites now due to be realised in 2021/22. The changes are summarised below in the table.

Table Five -Capital Receipts	2020/21	2021/22
Budget (quarter 3)*	(£2,461)	(£4,285)
Changes:		
Sales 2020/21 slipped into future years	£1,264	(£1,196)
Sales 2021/22 slipped into future years		£1,200
Increased land value receipt Kenilworth**	(£808)	£0
Ditchmore lane receipt re-profile**	£97	(£221)
Total Adjustments	**£554**	**(£217)**
REVISED RECEIPT	**(£1,907)**	**(£4,502)**

*a factor of £156K has been applied to receipts

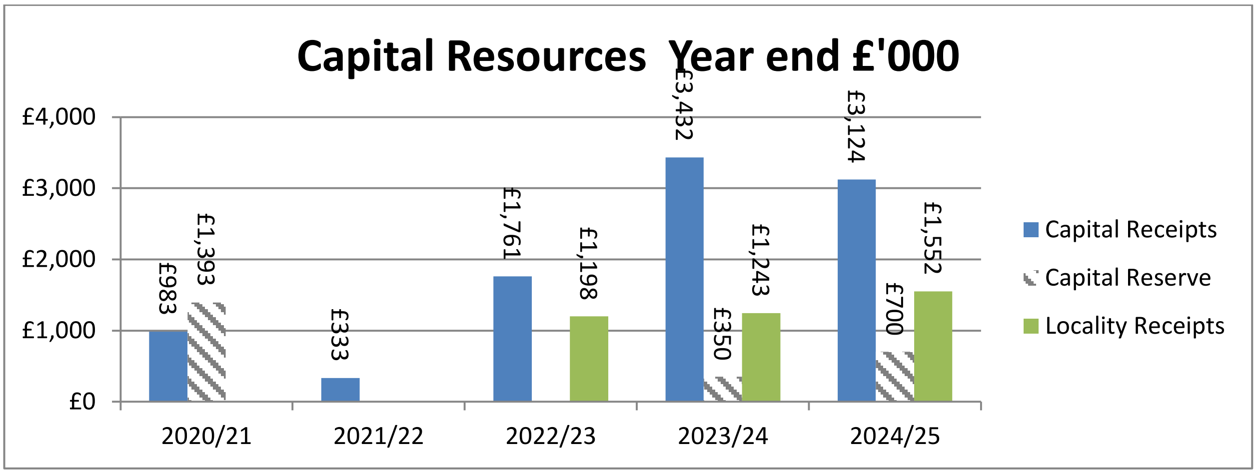
** housing sale receipts are used for regeneration or housing investment

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



*excludes Locality receipts and any SG1 receipts

4.2.5 Looking at a summary of available capital resources, the forecast shows that at the end of 2021/22 these are projected to be £0.333Million, subject to land receipts being received as forecast. This is a modest level of capital reserve/capital receipts versus size of programme and any major slippage in receipts will require a review of the programme and funding and will need closely monitored during the year. Notwithstanding slippage in the 2021/22 capital programme, this also means any new additions to the programme need to be careful considered. The position for 2022/23 is much improved with £1.7Million receipts forecast to be remaining at year end.



4.2.6 The Covid-19 pandemic may also impact on land sale prices which will also need to be tracked during the year and updates provided quarterly.

4.2.7 The capital programme also uses third parties such as developers in the form of S106 agreements. Most of this income is linked to specific projects and cannot support an unrelated scheme in the capital programme. The current capital strategy contains S106 monies that have been earmarked to support current and future capital schemes. An update on the balances available for 2021/22 onwards is set out in the following table, (this is currently subject to review and the numbers may change).

Table Six S106 Update								
Available for financing	£	Used in Year	£	remaining	Budgeted in Future Years	£	remaining
Affordable Housing	£62,091	New Build Programme	£62,091.21	£0	New Build Programme		£0
Childrens Play space	£10,392		£0.00	£10,392	Play Area Improvement Programme	£10,392	£0
Outdoor Sports/Open Space Facilities	£17,661			£17,661			£17,661
Community / Greenspace / Ecological Infrastructure	£70,338			£70,338	Green Space Access Infrastructure	£70,338	£0
Parking / Transport (Revenue)	£131,951	Traffic Regulation Orders	£8,191.41	£123,760			£123,760
Gardening Club	£4,576		0	£4,576			£4,576

Table Six S106 Update							
Available for financing	£	Used in Year	£	remaining	Budgeted in Future Years	£	remaining
Arboretum	£25,420		0	£25,420			£25,420
Biodiversity Net Gain	£45,867			£45,867	various schemes	£45,867	£0
Pedestrian Link	£35,000		0	£35,000			£35,000
Household Surveys	£15,990		0	£15,990			£15,990
Total	**£419,286**	**Total**	**£70,283**	**£349,002**	**Total**	**£126,597**	**£222,406**

4.2.8 Where the Council has identified a **borrowing** need to finance the capital programme the Council has a statutory requirement to make a General Fund Minimum Revenue Provision (MRP) to reflect the cost of borrowing over the life of the assets funded through borrowing. The Council's MRP policy is approved with the Treasury Management strategy in February and is applicable regardless of whether physical borrowing has taken place. The MRP charge to the General Fund calculated for 2020/21 was £218.5K (2019/20, £622K,) and can be broken down as follows:

- £0K related to regeneration assets (funded from commercial income), there is an MRP holiday due to the re-profiling of the asset lives in 2020/21
- £35.1K to investment properties (funded from commercial income)
- £157.6K to general borrowing (funded from General Fund revenue resources)
- £24.6K for the Garage Improvement Programme (funded from the General Fund revenue resources).

4.3 GENERAL FUND CAPITAL EXPENDITURE 2021/22

4.3.1 Members approved the 2021/22 General Fund capital programme totalling £18.18Million at the March 2021 Executive. This report identifies an increase as a result of scheme slippage of £2.11Million to £20.29Million as summarised in paragraph 4.1.1.

4.3.2 The 2021/22 capital programme includes a deferred works reserve of £265K which is included to fund any increase in programme costs or for priority works that arise in year. This is because of the restricted nature of the current capital programme and associated resources. Emerging urgent needs will be monitored and considered by the Assets and Capital board.

4.3.3 There are some financial capital pressures emerging which may exceed the level of deferred works reserve and the low level of 2021/22 receipts (£333K). These include:

- Fire suppression system at the Council's depot which is currently being reviewed circa £200K.
- Replacing some of the on-street parking meters to provide more flexible payment methods, circa £100K.

4.3.4 These potential cost pressures and any use of the deferred works budget will be updated as part of the 1st quarter update to the September Executive and may require some of the programme being held if funds are not available. In addition there is a risk some of the £4.5Million in year receipts are not realised.

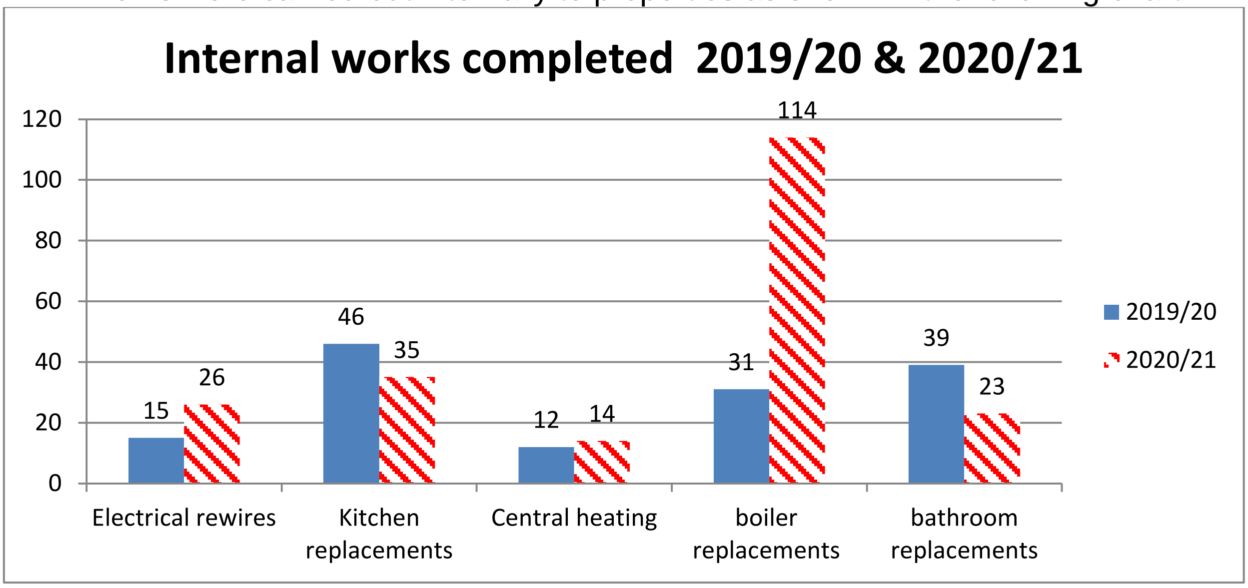
4.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.4.1 The actual outturn for 2020/21 HRA capital spend was £0.427Million lower than the projected 3rd Quarter report. This represents a 1.57% underspend on the 2020/21 £27Million programme. This does include the ICT savings (as set out in paragraph 4.1.5), of £65.5K. The following table identifies the areas of underspend, overspend and slippage.

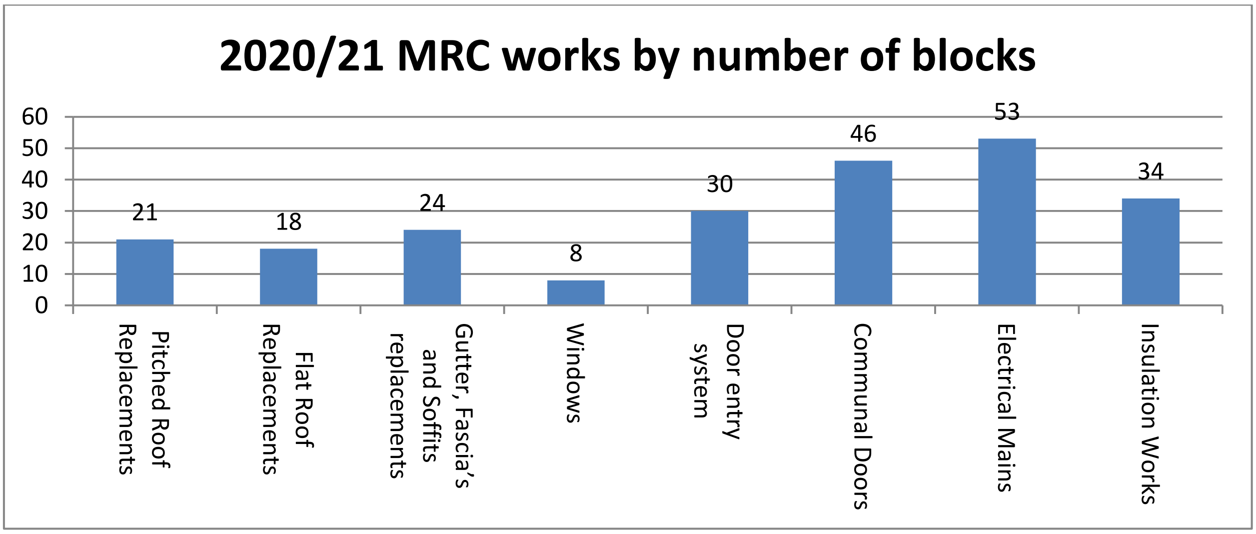
Table Seven	2020/21 £'000			2021/22 £'000			
Housing Revenue Capital Programme	Working budget	Actual	Variance	Slippage	Working budget	Revised budget	Variance
Capital Programme Excluding New Build	£16,883.8	£16,622.2	(£261.6)	£242.1	£25,881.2	£27,069.1	£1,187.9
Special Projects & Equipment	£149.5	£15.0	(£134.5)	£134.5	£25.0	£159.5	£134.5
New Build (Housing Development)	£9,608.9	£9,672.5	£63.6	(£63.6)	£30,176.6	£30,113.0	(£63.6)
IT Including Digital Agenda	£493.0	£398.2	(£94.7)	£29.2	£892.1	£921.3	£29.2
Total	**£27,135.2**	**£26,707.9**	**(£427.2)**	**£342.2**	**£56,974.8**	**£58,262.8**	**£1,288.0**

Underspend =()

4.4.2 In 2020/21 the **major works programme** has delivered 4 (2019/20- 130) window replacements, 14 (2019/20 -220 door replacements). Further capital improvement works were carried out internally to properties as shown in the following chart:



4.4.3 In addition to the works carried out internally to properties, the works carried out externally and to flat blocks contributed to homes meeting the decent homes standard. In 2020/2021 the MRC programme delivered works to 91 flat blocks around Stevenage. The works consist of the following:



4.4.4 The number of properties where works have been carried out to bring the property up to the decent homes standard (the standard by which each element i.e. kitchen, bathroom, electrics, windows, roof etc. whose condition is measured) in 2020/2021 was 529. The number of non-decent properties was 2500 at year end against the target of 2392.

4.4.5 **New build and acquisitions programme:** A total of 27 additional homes were provided to Stevenage residents including the renewal and conversion of properties into high quality additional homeless accommodation. Additionally, a further 147 new homes are under construction with nine homes at Addison House having already handed over early in Quarter one 2021/22.

4.4.6 Work at the Kenilworth Close site is well underway, which will provide over 200 new homes, including 118 units of new affordable accommodation. This includes the provision of a high quality new independent living scheme, as well as four new units of high quality retail at the site.

4.4.7 All properties at the Ditchmore Lane development were reserved over the course of 20/21, with eight completing in 20/21 and the final two early in 21/22. This scheme achieved a total capital receipt of £2.57m, with £910K for the General Fund and £1.66m for the HRA. A further £425K was achieved for the HRA from the sale of the private unit at the Blackwell Close development. Work continues on a number of other development sites in 2021/22.

4.5 HOUSING REVENUE ACCOUNT CAPITAL RESOURCES

4.5.1 The capital resources available to support the future capital programme (as at 31 March 2021) are £26.14Million. The resources are summarised in the following table:

Table Eight Housing Revenue Account Resources	Brought Forward	Received in Year	Used in Year	Used in year GF	Available to Fund Future Year Expenditure
	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve (Depreciation)	(£4,746.3)	(£11,900.4)	£2,328.2	£0.0	(£14,318.5)

Table Eight Housing Revenue Account Resources	Brought Forward	Received in Year	Used in Year	Used in year GF	Available to Fund Future Year Expenditure
Usable Capital Receipts	£0.0	(£1,858.5)	£425.0	£0.0	(£1,433.5)
One for One Receipts for HRA, General Fund and 1.4.1 repayment	(£10,364.1)	(£2,367.9)	£1,996.4	£1,275.8	(£9,459.7)
Debt Provision Receipts	(£106.2)	(£585.6)	£691.8	£0.0	£0.0
S20 and Other grant contributions	(£62.1)	(£1,277.3)	£408.8	£0.0	(£930.6)
Borrowing	£0.0	(£20,857.7)	£20,857.7	£0.0	£0.0
TOTAL	**(£15,278.7)**	**(£38,847.4)**	**£26,707.9**	**£1,275.8**	**(£26,142.3)**

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

4.5.2 There were 25 homes sold under Right to Buy (RTB) during 2020/21, the resulting 2020/21 HRA net capital receipts were £3.317Million, less £346K of LA share which is utilised by the General Fund. The government share of RTB sales was £864K which is formula calculation regardless of the number of sales, (subject to there being sufficient receipts to fund it).

4.5.3 The HRA RTB receipts used in year to finance the capital works and grant aid registered housing providers was £3.272Million leaving a balance of £9.460Million of 1-4-1 receipt available to fund future new build schemes such as Kenilworth and Symonds Green.

4.5.4 The government announced a relaxing of the return of 1.4.1 receipts to take into consideration the impact of Covid-19 on the ability to build and purchase replacement homes and spend the receipts within the deadline, resulting in a temporary relaxation of the rules. Councils were able to apply for an extension of the three year deadline to December 2020, for receipts to be used in quarters one to three of 2020/21. Since then the government has announced further changes which are set out below and mean a greater proportion of receipts can be used for replacing one property and they can be retained for longer. However one caveat is there is a limit to the amount that can be used for open market acquisitions (OMA's), however the Council has focused on a new build rather than OMA acquisition strategy. The changes to the rules are:

- Pooling of RTB receipts will take place annually, replacing the former quarterly system. Deadlines for spending retained receipts will also be calculated on an annual basis. A minimal amount of non-financial management information will still be collected quarterly.

- The timeframe LA's have to spend new and existing Right to Buy receipts is extended from 3 years to 5 years. Helping to undertake longer-term planning, including remediation of larger plots of land.

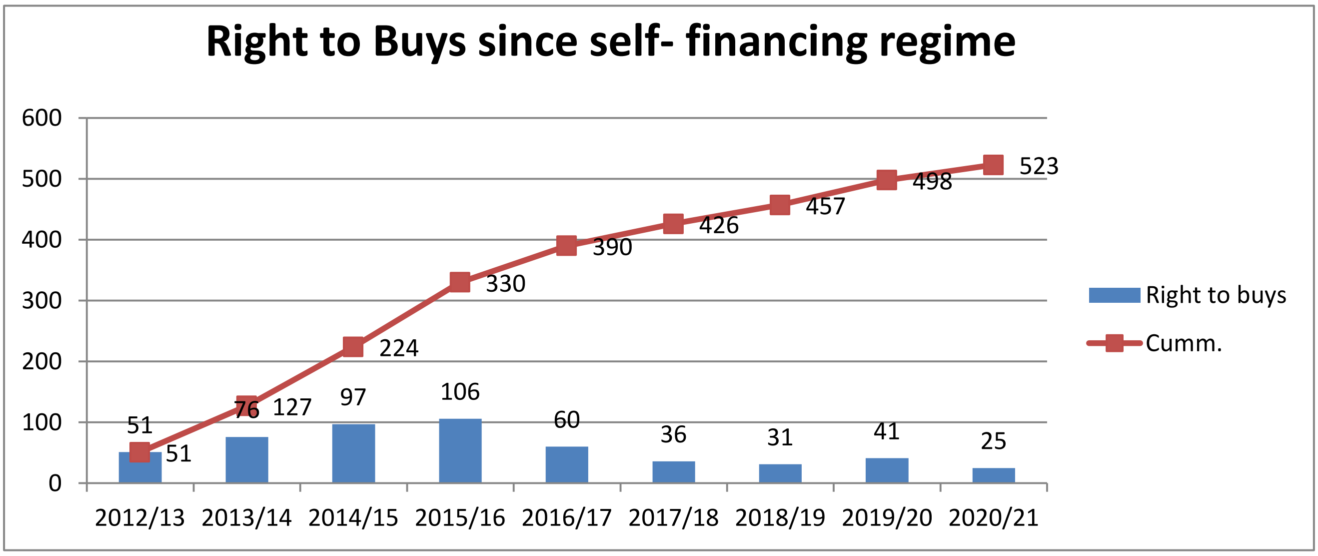
- The percentage cost of a new home that local authorities can fund using 1.4.1 receipts increases from 30% to 40%. Although not as much as SBC responded to in the consultation and still does not address the replacement of homes on sites such as Kenilworth.

- Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent.

- A cap is introduced on the use of Right to Buy receipts for acquisitions with the intention to help drive new supply with effect from 1 April 2022 and phased in over 2022-23 to 2024-25.

4.5.5 The current projection for the use and return of 1.4.1 receipts based on the rule changes is being calculated, but the ability to hold receipts for longer and to apply 40% to anyone new home is an improvement on the existing scheme and welcome. However as part of the consultation the Council also lobbied for the application of 1.4.1 receipts to be applied to replacement properties for large scale ‘place making’ schemes, such as Kenilworth, however this was not included in the changes.

4.5.6 Right to buy sales have fallen from the peak of 106 sales in 2015/16 to 25 sales in 2020/21 as shown in the chart below, it is anticipated this has been impacted by COVID. The estimated total of RTB sales for 2020/21 was 35.



4.5.7 COVID may have an impact on the capital programme for some time in terms of:

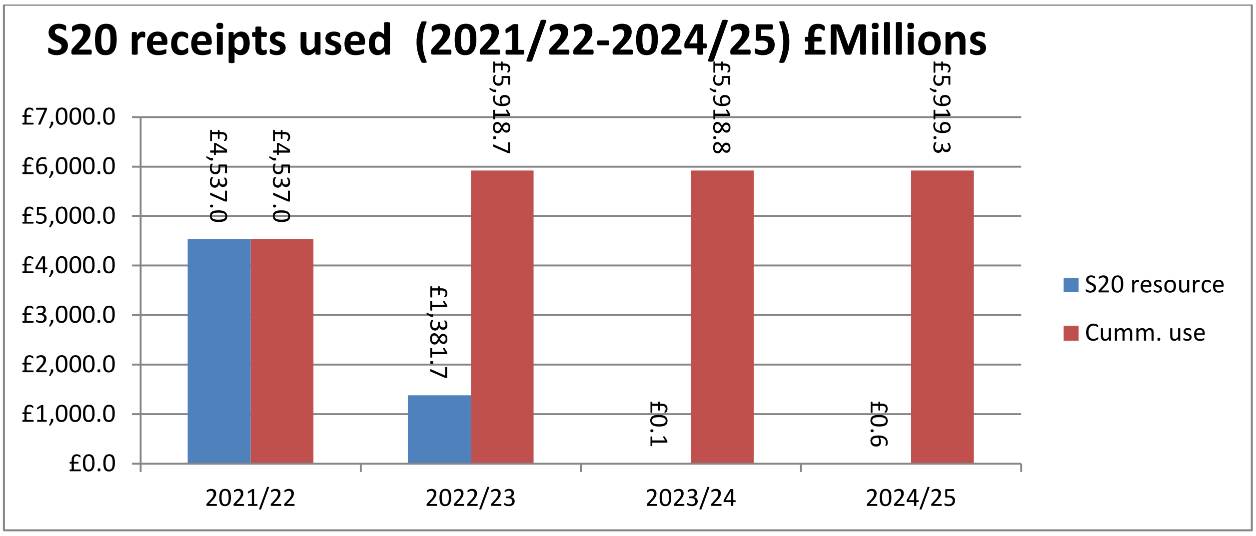
- Availability of contractors
- Cost of construction materials (which have seen an increase COVID/BREXIT related)
- An anticipated increase in inflation which could see materials and borrowing rates rises.

4.5.8 The HRA plans to borrow £57Million over this and the next two years to fund future capital works. The HRA had the programme funded from £20.857Million of borrowing for 2020/21. Only £10Million was physically taken with rates slightly above the business plan estimates for 2020/21 and 2021/22.

4.5.9 If all the loans were taken for 2020/21 and 2021/22 at rates as of 14 July 2021 this would increase borrowing costs to the HRA by £170K in a full year, (budgeted interest for 2021/22 £7.8Million). However there are number of mitigating factors such as:

- Cash flow doesn't dictate the loans need to be taken immediately, leaving time to track rates and borrow at the optimum time
- The HRA Business Plan can look at a different profile of loans (e.g. different repayment profiles to reduce costs).
- The HRA has an interest equalisation reserve.

4.5.10 The HRA capital programme does assume funding from S20 receipts, (works done to leaseholder properties) will be used to fund some of the Major Repair Contract (MRC) works totalling £5.9Million for the period 2021/22-2024/25. This will need to be reviewed as part of the HRA Business Plan refresh in terms of any revised profiling, particularly as £4.5Million is assumed in 2021/22, there may be a need to switch funding resources between years.



4.6 HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2021/22

4.6.1 Members approved the 2021/22 Housing Revenue Account capital programme totalling £56.97Million at the March 2020 Executive. This report identifies an increase to the 2021/22 programme of £1.288Million, as a result of

- Scheme slippage of £342K as summarised in paragraph 4.4.1, arising from revised delivery dates of schemes.
- Increased costs of £930.6K which relates to funding from the Green homes grant (LAD1 b) received 23 March 2021 and will contribute to green energy initiatives in the Council's social and affordable housing stock.
- Minor increase of £15.2K

This means the total budget for 2021/22 is £58.26Million.

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

5. IMPLICATIONS

5.1 Financial Implications

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

5.2 Legal Implications

5.2.1 None identified at this time.

5.3 Equality and Diversity Implications

5.3.1 This report is of a technical nature reflecting the projected spend for the year for the General Fund 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 There is a risk that the value of land sales is not realised due to the impact of COVID on the confidence on the market or prices are lower than anticipated due to higher material costs as set out in paragraph 4.5.7 linked to BREXIT/COVID.

5.4.3 The 2021/22 year end level of available receipts is low versus the size of the programme and is reliant on the delivery of key sales which could be impacted as set out above. Should this happen, in-year action may be required to hold expenditure or prudential borrowing may be required increasing the burden to the General Fund.

5.4.4 The Council manages this risk by reviewing and updating the Strategy quarterly, including resources where a sale is likely to complete. This will enable action to be taken where a receipt looks doubtful.

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

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

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.

BACKGROUND DOCUMENTS	BD1 - Capital Strategy Update January 2021 (Executive) BD2 - Capital Strategy February 2021 (Council) BD3 - Capital Strategy March 2021 (Executive)
APPENDIX	None