

**Meeting: EXECUTIVE**

**Agenda Item:**

Portfolio Area: Resources

Date: 20 October 2021



## **QUARTER 1 AND 2 MONITORING REPORT (CAPITAL) - GENERAL FUND AND HOUSING REVENUE ACCOUNT**

### **KEY DECISION**

|                                  |                  |           |
|----------------------------------|------------------|-----------|
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| Finance team and budget managers |                  |           |
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### **1 PURPOSE**

- 1.1 To provide Members with an update on the Council's 2021/22 capital programme.
- 1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account capital programmes.

### **2 RECOMMENDATIONS**

- 2.1 That Executive approve the 2021/22 General Fund capital programme net decrease in expenditure of £59K as summarised in table one, para 4.1.1.
- 2.2 That Executive approve the General Fund net increase of capital expenditure of £271K in 2022/23, also as summarised in table one, para 4.1.1.
- 2.3 That Executive recommend to Council approval of the additional General Fund budget requirements as set out in table two, para 4.2.1, of £291K.
- 2.4 That Members approve the net decrease of £4.4 Million in the capital expenditure for 2021/22 Housing Revenue Account, as summarised in table nine, para 4.4.1.
- 2.5 That Members approve the corresponding net increase of £4.4 Million in the capital expenditure for 2022/23 Housing Revenue Account, also as summarised in table nine, para 4.4.1.

### 3 BACKGROUND

3.1 The 2021/22 approved working budget for the capital programme is:

- General Fund £22.4 Million
- Housing Revenue Account £58.3 Million

### 4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

#### 4.1 2021/22 General Fund Capital Programme

4.1.1 The updated projected spend for 2021/22 General Fund capital programme (as detailed in Appendix A) is £22.3Million, a net decrease of £59K. The change in budget is shown by Business Unit in table one:

| Table One<br>General Fund<br>Capital Programme | 2021/22 £'000             |                      |                 | 2022/23 £'000             |                      |                |
|--|---------------------------|----------------------|-----------------|---------------------------|----------------------|----------------|
|  | Working<br>budget<br>(Q4) | Q2 Revised<br>Budget | Variance        | Working<br>budget<br>(Q4) | Q2 Revised<br>Budget | Variance       |
|  | £                         | £                    | £               | £                         | £                    | £              |
| Stevenage Direct Services                      | 3,465,352                 | 3,505,352            | 40,000          | 3,284,620                 | 3,244,620            | (40,000)       |
| Housing Development                            | 7,051,059                 | 7,051,059            | 0               | 13,256,607                | 13,256,607           | 0              |
| Finance & Estates                              | 2,172,370                 | 2,284,020            | 111,650         | 351,750                   | 694,850              | 343,100        |
| Digital & Transformation                       | 899,430                   | 896,830              | (2,600)         | 104,220                   | 106,820              | 2,600          |
| Regeneration                                   | 7,779,480                 | 7,779,480            | 0               | 2,474,000                 | 2,474,000            | 0              |
| Communities & Neighbourhoods                   | 364,440                   | 364,440              | 0               | 275,000                   | 275,000              | 0              |
| Planning & Regulatory                          | 384,350                   | 417,900              | 33,550          | 305,000                   | 270,000              | (35,000)       |
| Deferred Works Reserve                         | 264,860                   | 23,310               | (241,550)       | 200,000                   | 200,000              | 0              |
| <b>Total</b>                                   | <b>22,381,341</b>         | <b>29,322,391</b>    | <b>(58,950)</b> | <b>20,251,197</b>         | <b>20,521,897</b>    | <b>270,700</b> |

Further analysis between working budget and the revised budget are shown below.

#### 4.1.2 Stevenage Direct Services (SDS) –

4.1.2.1 Budget of £40K brought forward on the Play Area Improvement Programme. This was a councillor request following vandalism to Campshill Park play area.

4.1.2.2 There are likely to be future financial pressures to address the asbestos issue in a number of Council garages. An assessment of the costs will be included in later reports once the course of action is finalised.

#### 4.1.3 Finance & Estates –

4.1.3.1 Cavendish Road Fire protection works £250K: there is currently a budget of £340K in the capital programme for fire protection works, (plus £63K spent

in earlier years). To complete the works at Cavendish Road the costs are now anticipated to be £653K in total. This is because the work to scope the fire protection works including installing fire suppression for the waste bays, replacing the partition walls between the waste bays and installing drainage to deal with the water runoff has now been completed. It is recommended to fund the works £250K from the Deferred Works Reserve. Using the deferred works reserve (an existing budget), means it is within the amount delegated to the Executive..

- 4.1.3.2 The roof at the Business & Technology Centre is in the capital programme but there are some additional works, budgeted in later years, such as replacing the air conditioning units which are sited on the roof. It is financially beneficial to bring these works forward and complete at the same time. £176K of the budget is recommended to be brought forward into 2021/22 from 2022/23, 2023/24 and 2024/25. This is however offset by the slippage in the Commercial Properties Refurbishment [MRC Programme] in para 4.1.3.3.
- 4.1.3.3 Commercial Properties Refurbishment [MRC Programme]: the MRC surveys have now been completed for the bulk of the programme, leading to forecast re-profile of works into 22/23 of £172K from 21/22 and £30K brought forward from 23/24.
- 4.1.3.4 The programme for the EPC Surveys and Building condition and Insurance valuation Survey have been re-profiled, with 50% of the work projected to take place in 2021/22 and 50% in 2022/23, resulting in slippage of (£60K) and (£75K).
- 4.1.3.5 A budget of £7K included for the Indoor Markets has been completed and is no longer required, so is being returned to the Deferred Works Reserve.
- 4.1.4 **Digital & Transformation** - £2.6K of slippage from 2021/22 to 2022/23 has been re-profiled on the Connecting to Our Customers activity. Due to the current ICT upgrade work being undertaken, no other revised projections have been completed for quarter 2 for the IT Strategy budgets. However there will be an updated for the 3rd quarter.
- 4.1.5 **Regeneration** – the working budget now includes the £1.875Million for the 5% advanced Towns Fund grant, to enable early-stage activity in project development. See para 4.3.7 for an update on the Towns Fund.
- 4.1.6 **Planning and Regulatory** – The current programme includes waterproofing works at the Off Street Car Parks (Multi Storey Car Parks). Before doing this the removal of screed from the ramp needs to take place, requiring future budgets of £33.6K to be brought forward into 2021/22.
- 4.1.7 **Deferred Works Reserve** – due to the recommended Fire Suppression Works set out in para 4.1.3.1 and other minor changes, the net proposed change is a reduction of £242K leaving £23K budget available in the deferred works reserve. Although the Deferred Works Reserve has decreased, the balance of unallocated capital receipts has increased (see para 4.3.2.2).

## 4.2 Additional Budget Requests

4.2.1 To assist in the budget setting process, managers have been asked to identify changes to budgets required, including additional budgets, as and when information becomes available. It is hoped that this will result in a lower chance of late budget requests coming through after the budget setting process has concluded. Urgent budget requests for emergency works may still arise at any time of the year and will continue to be dealt with on a case-by-case basis. The new requests have been split between 2021/22 and requests for future years. Table two below sets out the requests for 2021/22. Funding of £92K has been identified for some of the schemes from reserves, leaving £199K. This report (see para 4.3.2.2) identifies projected additional available resources and it is recommended the unfunded bids are approved.

| Table Two  | Additional Budget Requirement 2021/22 |  |   |                     |
|--|---------------------------------------|--|---|---------------------|
| Scheme   | £'s                                   | Reason for Request   | Any other Relevant Information  | Funding identified  |
| FVP Dam Works  | 45,000                                | <b>Statutory requirement</b>   | £33k of works to be completed by 31/12/21. Remaining £12K by 31/12/22.  |                     |
| Waste receptacles  | 40,000                                | Provision of household refuse and recycling receptacles  | In accordance with the Household Waste Policy, charges for supplying replacement wheeled refuse bins were introduced in 2019, however most receptacles have been required for new properties and/or to replace broken / perished recycling boxes previously provided to residents |                     |
| Peartree skate park  | 40,000                                | replacement following vandalism  | Request due to lack of skate facility in south of town  | Insurance Reserve   |
| Ridlins Athletics Facility   | 30,000                                | Mix of H&S and to support certification  | Includes supporting the UK Athletics certification required, to enable competitions to be held at the site  |                     |
| Cleaning machine for the town centre   | 24,000                                | increased cleaning demands   | To ensure the improvements to the Town Centre are maintained and cleaned to retain the high standard of the works undertaken  |                     |
| Vehicle replacements   | 2,000                                 | Replacement due theft  | £23K total, £21K received from insurance claim , need £2K   | Insurance Reserve   |
| <b>SDS sub-total</b>   | <b>181,000</b>                        |  |   |                     |
| Town Plaza   | 35,000                                | <b>Health and Safety –</b><br>Falling render   | Installation of temporary netting to the façade of the building. Netting may be subject to planning permission  | Town Square Reserve |
| St Nicholas POD removal  | 15,000                                | <b>Health and safety</b><br>(vandalism) Insurance  |   | Insurance Reserve   |
| Cavendish depot - IT server room - gas suppression air permeability prevention works | 20,000                                | <b>Business continuity –</b><br>severe impact on delivering services should the server room be damaged | Officers are exploring associated partnership funding. Works tendered and ready to award contract.  |                     |

| Table Two   |                | Additional Budget Requirement 2021/22 |  |                    |
|---|----------------|---------------------------------------|--|--------------------|
| Scheme  | £'s            | Reason for Request                    | Any other Relevant Information                         | Funding identified |
| Cavendish Depot<br>IT/CCTV gas<br>suppression works | 40,000         | <b>Business continuity</b>            | Officers are exploring associated partnership funding. |                    |
| <b>Estates sub-total</b>                            | <b>110,000</b> |                                       |  |                    |
| <b>Total identified</b>                             | <b>291,000</b> |                                       |  |                    |

### 4.3 2021/22 General Fund Capital Resources

4.3.1 The planned use of resources to fund the General Fund capital expenditure in 2021/22 is summarised in the following table:

| Table Three:<br>General Fund Resources            | Brought forward   | Forecast to be Received for capital | Forecast Use in 2021/22 | Closing Balance   |
|---|-------------------|-------------------------------------|-------------------------|-------------------|
| Capital Receipts                                  | (£999.6)          | (£6,751.3)                          | £6,083.1                | <b>(£1,667.7)</b> |
| Locality Review Receipts                          | £0.0              | (£507.2)                            | £474.0                  | <b>(£33.2)</b>    |
| Ring-fenced Regen Receipts                        | £0.0              | (£210.0)                            | £210.0                  | <b>£0.0</b>       |
| Section 106 Receipts                              | (£313.7)          | (£13.9)                             | £121.3                  | <b>(£206.3)</b>   |
| Grant and Other Contributions GF                  | (£2,767.5)        | (£3,370.7)                          | £4,908.2                | <b>(£1,230.0)</b> |
| Capital reserve                                   | (£1,393.3)        | (£617.9)                            | £2,011.2                | <b>£0.0</b>       |
| LEP Funding                                       | £0.0              | (£3,674.5)                          | £3,674.5                | <b>£0.0</b>       |
| RCCO (includes use of revenue reserves)           | £0.0              | (£87.9)                             | £87.9                   | <b>£0.0</b>       |
| Revenue – New Homes Bonus (available for capital) | (£428.5)          | £0                                  | £345.0                  | <b>(£83.5)</b>    |
| Short Term Prudential borrowing                   | £0.0              | (£774.0)                            | £774.0                  | <b>£0.0</b>       |
| Prudential borrowing                              | £0.0              | (£4,181.9)                          | £4,181.9                | <b>£0.0</b>       |
| <b>Total</b>                                      | <b>(£5,902.6)</b> | <b>(£20,189.3)</b>                  | <b>£22,871.1</b>        | <b>(£3,220.8)</b> |

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

#### 4.3.2 Capital Receipts

4.3.2.1 The latest Capital Receipts forecast is summarised below. The increases arise from updated projections on sales relating to Housing Development schemes, however there has been a re-profiling of other site disposals into 2022/23. This gives a net change of £1.4 Million increase receipts in 2021/22 and £929K in 2022/23.

Members should also note, the profile included in the Capital Strategy for the Public Sector Hub is matched by capital receipts. The expenditure and income profiles will both be updated once further work has been undertaken on the development.

| <b>Table Four:</b>                      | <b>Q4 Working Budget</b> | <b>Q2 Revised</b>   | <b>Variance</b>    |
|---|--------------------------|---------------------|--------------------|
| <b>Disposal Schedule (General Fund)</b> | <b>£'s</b>               | <b>£'s</b>          | <b>£'s</b>         |
| Total 21/22 Capital Receipts Estimate   | (5,340,657)              | (6,751,275)         | (1,410,618)        |
| Total 22/23 Capital Receipts Estimate   | (6,527,040)              | (7,456,296)         | (929,256)          |
| 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                  |
| <b>Major Capital Receipts Programme</b> | <b>(48,808,197)</b>      | <b>(51,148,071)</b> | <b>(2,339,874)</b> |

4.3.2.2 The residual capital resources based on the capital programme, (Appendix A) is summarised in the following table. The position has improved from an unallocated capital receipts balance of £288K (as at 31 March 2022) to £1.7 Million. There is always a risk surrounding the amount and timing of capital receipts, particularly those for later years. Given the confidence in the 2021/22 receipt forecasts, it is recommended to use £199K or 12% of the unallocated 2021/22 balance of £1.668Million shown below to fund the additional budget requests set out in table two, para 4.2.1.

| <b>Table Five:</b>                  | <b>2021/22</b>     | <b>2022/23</b>     | <b>2023/24</b>     | <b>2024/25</b>     |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Unallocated capital receipts</b> | <b>£'s</b>         | <b>£'s</b>         | <b>£'s</b>         | <b>£'s</b>         |
| Unallocated B/fwd                   | (999,592)          | (1,667,727)        | (3,856,016)        | (5,678,488)        |
| In Year Resource                    | (6,751,275)        | (7,456,296)        | (23,556,500)       | (13,384,000)       |
| Used in Year                        | 6,083,140          | 5,268,007          | 21,734,028         | 13,692,087         |
| <b>Capital Receipt Unallocated</b>  | <b>(1,667,727)</b> | <b>(3,856,016)</b> | <b>(5,678,488)</b> | <b>(5,430,401)</b> |

4.3.3 Previous forecasts have indicated a higher level of **Locality Review receipts** in 2021/22. The current assumption as set out in Appendix A is for only one major sale and one deposit as required by the capital strategy rather than selling a larger number of sales in one year.

4.3.4 The current capital strategy includes the use of **S106** monies that have been earmarked to support current and future capital schemes. An update on the balances available for capital and revenue for 2021/22 onwards is set out in table six. The majority of the contributions received that have not been budgeted for use are highly restrictive in what they can be used for and specific plans are being made as appropriate.

| <b>Table Six: S106 Update</b>                      |            |                             |                                 |                  |
|--|------------|-----------------------------|---------------------------------|------------------|
| <b>Available for financing</b>                     |            | <b>2021/22 Forecast use</b> | <b>Budgeted in Future Years</b> | <b>remaining</b> |
|  | <b>£'s</b> | <b>£'s</b>                  | <b>£'s</b>                      | <b>£'s</b>       |
| Affordable Housing                                 | 20         | 0                           | 0                               | 20               |
| Children's Play space                              | 14,065     | 14,065                      | 0                               | 0                |
| Outdoor Sports/Open Space Facilities               | 17,936     | 17,936                      | 0                               | 0                |
| Community / Greenspace / Ecological Infrastructure | 44,918     | 44,918                      | 0                               | 0                |
| Parking / Transport                                | 123,760    | 0                           | 0                               | 123,760          |

| <b>Table Six: S106 Update</b>  |                |                                     |   |                  |
|--------------------------------|----------------|-------------------------------------|---|------------------|
| <b>Available for financing</b> |                | <b>2021/22<br/>Forecast<br/>use</b> | <b>Budgeted<br/>in Future<br/>Years</b> | <b>remaining</b> |
|                                | <b>£'s</b>     | <b>£'s</b>                          | <b>£'s</b>                              | <b>£'s</b>       |
| Gardening Club                 | 4,575          | 0                                   | 0                                       | 4,575            |
| Arboretum                      | 25,420         | 0                                   | 0                                       | 25,420           |
| Biodiversity Net Gain          | 45,867         | 0                                   | 45,867                                  | 0                |
| Pedestrian Link                | 35,000         | 0                                   | 0                                       | 35,000           |
| Household Surveys              | 15,989         | 0                                   | 0                                       | 15,989           |
| <b>Total</b>                   | <b>327,550</b> | <b>76,919</b>                       | <b>45,867</b>                           | <b>204,764</b>   |

4.3.5 S106 monies are normally ring fenced to the immediate surroundings of the development site and cannot be used for the wider capital programme. In April 2020 the new **Community Infrastructure Levy (CIL)** was introduced. To date **£20,615** has been received under this scheme and further liabilities totaling over £1.9million have been secured for granted planning permissions. Liabilities are due to the Council once developers implement their planning permissions and payments are paid in instalments, based on the first date of commencement on-site in line with the Council's adopted CIL Instalments Policy. The levy can be used to fund a broad range of infrastructure such as play areas, open spaces, parks and green spaces, cultural and sports facilities and will give greater flexibility to fund capital schemes. Officers are currently drafting a framework to guide the decision-making of what to spend future CIL receipts on. Expenditure is not expected for a couple of years whilst the Councils builds up its CIL receipts.

4.3.6 Prudential borrowing that is required to support the Capital programme will be a treasury management decision as to when the external borrowing is actually taken. While cash balances are high internal borrowing will be used.

#### 4.3.7 **Towns Fund update**

4.3.7.1 Regeneration of the Town Centre is the top priority for the Council. A significant part of the regeneration programme going forwards is the delivery of projects that are part-funded by Towns Fund. In 2020, the Stevenage Development Board was established, and developed a Town Investment Plan for submission to government. In March 2021, the submission was awarded up to £37.5m of funding. The Council, which is the Accountable Body for the fund, is required to oversee and sign-off business cases for each of the nine projects that have been allocated funding.

| <b>Table Seven: Towns Fund Update</b>          |                   |  |                              |
|--|-------------------|--|------------------------------|
| <b>Project</b>                                 | <b>Towns Fund</b> | <b>Council &amp; third party funding</b> | <b>Estimated Total Costs</b> |
|  | <b>£</b>          | <b>£</b>                                 | <b>£</b>                     |
| Stevenage Enterprise Centre                    | 4,000,000         | 5,000,000                                | 9,000,000                    |
| Gunnels Wood Road Infrastructure Improvements  | 1,000,000         | 9,000,000                                | 10,000,000                   |
| Station Gateway Enabling Works                 | 6,500,000         | 9,000,000                                | 15,500,000                   |
| Marshgate Biotech                              | 1,750,000         | 30,250,000                               | 32,000,000                   |
| Stevenage Innovation & Technology Centre       | 5,000,000         | 5,000,000                                | 10,000,000                   |
| National New Towns Heritage Centre             | 2,000,000         | 3,000,000                                | 5,000,000                    |
| Stevenage Sports & Leisure Hub                 | 10,000,000        | 30,000,000                               | 40,000,000                   |
| Cycling Connectivity and Arts & Heritage Trail | 3,500,000         | 3,500,000                                | 7,000,000                    |
| Town Centre Diversification & Garden Square    | 3,750,000         | 6,250,000                                | 10,000,000                   |
| <b>Total</b>                                   | <b>37,500,000</b> | <b>101,000,000</b>                       | <b>138,500,000</b>           |

4.3.7.2 A report was taken to Executive in September to note the key requirements and obligations for the Council as Accountable Body and the steps to be taken to review and approve business cases, ahead of the Department for Levelling Up, Housing and Communities releasing project funding to the Council as Accountable Body. The report also noted that a number of the business cases are for projects will be developed and approved by the Council. The total money received to date from the Towns Fund is as detailed below.

| <b>Table Eight: Towns Fund received</b>       |                  |                                     |
|---|------------------|-------------------------------------|
|   | <b>Received</b>  | <b>Remaining as at 1 April 2021</b> |
|   | <b>£</b>         | <b>£</b>                            |
| Towns Fund capacity funding (revenue)         | 173,029          |                                     |
| Accelerated funding                           | 1,000,000        |                                     |
| Fast-track business case activities (revenue) | 40,000           | 40,000                              |
| Early-stage activity in project development*  | 1,875,000        | 1,875,000                           |
| <b>Total</b>                                  | <b>3,088,029</b> | <b>1,915,000</b>                    |

\*forward payment against the £37,500,000 in table seven, subject to change following the outcome of the individual business cases

#### 4.3.8 Housing Wholly Owned Company (WOC) update

4.3.8.1 Council (May 2021) approved up to a £15Million maximum use of capital spend for WOC schemes. The current WOC budgets shown in the Capital Strategy are based on the Business Plan, but with the flexibility to increase up to a total of £15Million. When schemes come forward and the spend and profile is known, the budget will be adjusted accordingly up to the maximum approved budget.

## 4.4 2021/22 Housing Revenue Account Capital Programme

4.4.1 The updated projected spend for the 2021/22 HRA capital programme, (as detailed in Appendix B) is £53.9Million, a decrease of £4.4Million. The change in budget is shown in table nine:

| Table Nine<br>HRA Capital<br>Programme | 2021/22 £'000          |                           |                    | 2022/23 £'000          |                           |                  |
|--|------------------------|---------------------------|--------------------|------------------------|---------------------------|------------------|
|  | Working<br>budget<br>£ | Q2 Revised<br>Budget<br>£ | Variance<br>£      | Working<br>budget<br>£ | Q2 Revised<br>Budget<br>£ | Variance<br>£    |
| Housing Investment                     | 27,069,080             | 27,069,080                |                    | 18,532,220             | 18,532,220                |                  |
| Special Projects &<br>Equipment        | 159,490                | 159,490                   |                    | 25,000                 | 25,000                    |                  |
| Housing Development                    | 30,112,950             | 25,806,040                | (4,306,910)        | 38,570,450             | 42,877,360                | 4,306,910        |
| Digital &<br>Transformation            | 921,250                | 822,510                   | (98,740)           | 81,330                 | 180,070                   | 98,740           |
| <b>Total</b>                           | <b>58,262,770</b>      | <b>53,857,120</b>         | <b>(4,405,650)</b> | <b>57,209,000</b>      | <b>61,614,650</b>         | <b>4,405,650</b> |

4.4.2 Housing Development - There has been slippage identified from 2021/22 to 2022/23 of £4.3Million by Housing Development based on revised spend profiles.

4.4.3 IT – slippage has also been identified of £99K on the Connecting to Our Customers schemes. As set out in para 4.1.4, due to the current ICT upgrade work, revised projections have not been completed for quarter 2 for the IT Strategy budgets, however this will be updated for the 3rd quarter. This will impact the HRA share of the IT Strategy in addition to the General Fund.

4.4.4 Housing Investment

4.4.4.1 Other budget changes requested are internal reallocations on the investment in housing stock within the 2021/22 budget of £27.1Million. The main changes are reductions as summarised below.

| Table Ten: Housing Investment virements           |           |
|---|-----------|
| Scheme  | Virement  |
| Decent Homes Internal/External Works Contractor 2 | (910,000) |
| Decent Homes Internal/One off Heating Works       | 150,000   |
| Decent Homes Electrical                           | 400,000   |
| Fire Safety                                       | 360,000   |
| Additional fire stopping works                    | (856,780) |
| Sprinkler Systems - Flat Blocks                   | 856,780   |
| <b>Total</b>                                      | <b>0</b>  |

\*Numbers in brackets ( ) = budget reduced, positive numbers = budget increased

The Decent Homes programme mobilisation has been slower than planned for one contractor due to material shortages and delays in procuring their supply chain. These issues are now resolved but it is not anticipated the full spend will be achieved this year, the programme will however be delivered in full over the remaining years of the contract. This is being treated as an

opportunity to bring forward additional building safety measures into 2021/22, netting off the underspend against the Decent Homes programme.

- 4.4.4.2 The housing compliance situation is under further review particularly in respect of work outputs from recent Fire Risk Assessment reports and electrical certification process for both communal areas in housing blocks, plus the Councils domestic properties which has indicated a need to accelerate the programme and ensure compliance with the Homes Standard regarding five year renewals for electrical certification purposes. There may need to be HRA investment resulting from this, and further updates will be included in later reports once more information is known.
- 4.4.5 The HRA Business Plan is in the process of being refreshed and the report is due to be taken to Executive in November. The HRA capital expenditure budgets and resources will be updated in the Capital Strategy to match the HRA BP. There will be implications for rental income if new build housing is delayed, however this reduction in income could be offset by reduced costs, including the financing costs of borrowing. Maintenance costs on new units may also be lower than previous forecasts.

**Other Updates:**

- 4.4.6 The Decent Homes programme and the Major Refurbishment Contract, (of which is in year 4), forms a large part of the ongoing investment programme of the HRA. The forecast for 2021/22 of the number of properties and blocks where works have been carried out to bring them up to the decent homes standard (the standard by which each element i.e. kitchen, bathroom, electrics, windows, roof, insulation etc. whose condition is measured) is **2,680** by the end of the year. Progress against the target is shown in the table below. This was behind target at the end of September by 66 properties, due to the delay of the Decent Homes programme as set out in para 4.4.4.1. Surveys and completed works have been carried out to flat blocks; this has helped to improve decency levels and the Decent Homes programme is now underway to focus on the internal and external components of SBC houses & flats.

| <b>Table Eleven - Number of Non-Decent Properties</b> |               |               |
|---|---------------|---------------|
| <b>Month</b>  | <b>Target</b> | <b>Actual</b> |
| April 2021  | 2,480         | 2,142         |
| May 2021  | 2,450         | 2,142         |
| June 2021   | 2,400         | 2,142         |
| July 2021   | 2,350         | 2,284         |
| August 2021   | 2,280         | 2,284         |
| September 2021  | 2,180         | 2,246         |
| October 2021  | 2,080         |               |
| November 2021   | 1,980         |               |
| December 2021   | 1,950         |               |
| January 2022  | 2,860*        |               |
| February 2022   | 2,775         |               |

| <b>Table Eleven - Number of Non-Decent Properties</b> |               |               |
|---|---------------|---------------|
| <b>Month</b>  | <b>Target</b> | <b>Actual</b> |
| March 2022  | 2,680         |               |

\*The target figure goes back up when properties are identified as becoming non-decent at the beginning of each year (January) when the target is re-profiled

4.4.7 The HRA **Right to Buy** (RTB) receipts includes a one for one (1.4.1) balance of £9.5Million, available to fund 40% of the future new build schemes. There is a five year deadline to spend these receipts, and if not spent the receipt must be returned to government plus interest (calculated at 4% above base rate). Under new regulations, spending on open market acquisitions is now restricted. These restrictions will be phased in over the next 4 years and from 2024/25, will only allow 30% of these properties to be funded from receipts. However, the cap does not apply to the first 20 properties delivered in any one year, giving some flexibility in the scheme. The phasing of RTB funded build schemes is being reviewed as part of the refresh off the HRA Business Plan.

4.4.8 COVID may have an impact on the capital programme for some, such as:

- 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 Capital Resources Housing Revenue Account**

4.5.1 The HRA had 15 RTB sales in the first quarter (one RTB sale in the same quarter last year). In quarter two, three more RTB sales were completed bringing the total to 18 to date (seven RTB sales in total up to the end of quarter two last year). The forecast for the year is 35, however given the marked reduction in sales in the second quarter, which may reflect the changes to Stamp Duty, which was scrapped on purchases up to £250K from 1 April 2021 and reverted to £125K in October, the target may not be achieved. A review of the current expressions of interest will be undertaken to determine whether the budget needs to be revised.

4.5.2 An update of capital resources available to the HRA will be included in the updated HRA Business Plan. This will include an update on the forecast value and timing of the capital receipts, including the Kenilworth receipt, which may be pushed back from 2022/23.

4.5.3 Prudential borrowing identified in the HRA capital programme will be a treasury management decision as to when external borrowing is actually taken.

## **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 4.4.5 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 February 2021 (Council)  
BD2 – Capital Outturn August 2021 (Executive)

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