Part I – Release to Press

Meeting	**EXECUTIVE**
Portfolio Area	Resources
Date	**18 July 2023**

2022/23 CAPITAL EXPENDITURE OUTTURN
KEY DECISION

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1. PURPOSE

To update Members concerning the:

1.1 Outturn position on the 2022/23 capital programme including the resources used to fund capital expenditure.

1.2 Council's Capital Strategy and any changes to the 2023/24 and future year's capital programme.

1.3 Actual 2022/23 Minimum Revenue Provision (MRP) and the MRP for 2023/24.

1.4 Resources available to fund the Capital Strategy.

2. RECOMMENDATIONS

That the:

2.1 2022/23 General Fund capital expenditure outturn (£17.814Million) as summarised in paragraph 4.1.1 be noted, (subject to the completion of the 2020/21 and 2021/22 and 2022/23 external audit of accounts).

2.2 2022/23 HRA capital expenditure outturn (£43.966Million) as summarised in paragraph 4.4.1 be noted, (subject to the completion of the 2020/21, 2021/22 and 2022/23 external audit of accounts).

2.3 Funding applied to the 2022/23 General Fund capital programme, as summarised in paragraph 4.2.1, be approved.

2.4 Funding applied to the 2022/23 HRA capital programme, as summarised in paragraph 4.5.1, be approved.

2.5 2023/24 General Fund capital programme increase of £6.796Million, as set out in paragraph 4.3.1, be approved.

2.6 2023/24 HRA capital programme decrease of £1.628Million as set out in paragraph 4.6.1, be noted.

2.7 The appropriation of Brent Court garage block (red book valuation to be obtained) in 2023/24 from the General Fund to the HRA as detailed in paragraph 4.7.1 be approved.

3. BACKGROUND

3.1 The 2022/23 capital programme was last approved by Members at the March 2023 Executive as part of the 3rd Quarter monitoring report. At the March Executive the 2022/23 revised General Fund capital programme was projected to be £23.927Million and the 2022/23 revised HRA capital programme was projected to be £42.338Million, a total of £66.265Million.

3.2 The Capital Strategy included measures to improve the financial resilience of the General Fund by reducing the revenue resourcing of the capital programme, helping to mitigate the impact of inflation to the Council and the revenue funding gap. These include increasing capital receipts and the application of capital grants.

3.3 Due to constraints on level of financial resources, the General Fund capital programme continues to be limited to priority works and third party funded schemes.

3.4 This report includes unaudited outturn figures which may be subject to change following the completion of the external audit for the financial years 2020/21, 2021/22 and 2022/23.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 2022/23 GENERAL FUND CAPITAL PROGRAMME

4.1.1 The actual outturn for General Fund capital expenditure was £6.113Million lower than that projected in the March 2023 report (as summarised below). The majority of the variance is due to slippage / acceleration of scheme expenditure, however there has been some additional financing identified which has increased the capital programme (see paragraph 4.2.5).

Table One	2022/23 £'000			2023/24 £'000		
General Fund Capital Programme	Working budget	Actual	Variance	Slippage from 2022-23	Working budget	Revised budget
Stevenage Direct Services	£3,308.5	£3,396.2	£87.7	£30.7	£6,253.9	£6,284.6
Housing Development	£1,375.9	£1,177.0	(£198.9)	£198.9	£4,841.6	£5,040.5
Finance and Estates	£2,261.6	£1,473.0	(£788.6)	£768.2	£1,439.0	£2,207.2
Digital & Transformation	£417.8	£237.1	(£180.7)	£180.7	£421.6	£602.3
Regeneration	£14,609.6	£11,001.4	(£3,608.3)	£4,126.8	£11,229.8	£15,356.6
Communities and Neighbourhoods	£540.4	£316.4	(£224.1)	£317.9	£2,006.5	£2,326.9
Planning and Regulatory	£209.0	£212.8	£3.8	(£3.4)	£406.2	£537.5
Deferred Works Reserve	£1,204.0	£0.0	(£1,204.0)	£1,039.2	£328.2	£1,367.4
Total	**£23,926.8**	**£17,813.9**	**(£6,113.1)**	**£6,659.0**	**£26,926.8**	**£33,723.0**

4.1.2 59% of the variance relates to **Regeneration** budgets. Members will be aware that most of the Regeneration scheme programme now relates to Towns Fund. The Towns Fund programme consists of nine different projects and draws upon the £37.5Million secured from central government. The regeneration programme team administer the programme on behalf of the Stevenage Development Board. The Council has two roles within this programme; the first, delivery of some projects directly through the regeneration team (such as the Sports and Leisure Hub), the second, acting as Accountable Body to enable projects to utilise Towns Fund monies by other delivery mechanisms (such as Gunnels Wood Road) and monitor and evaluate the success of the overall TF programme. The spend profile set for 2022/23 was very ambitious and work has also been underway to assess the spend risk for the 2023/24 profile, so that it is achievable. The non-Towns Fund activity in 2022/23 included final works to be paid for relating to the new Bus Interchange which opened in June 2022 and the demolition of Swingate House.

4.1.3 20% of the variance relates to the Deferred Works Reserve, which was set at £1.2Million for 2022/23 to accommodate potential costs that may arise such as:

- Refurbishment needs for remedial works for garages with asbestos
- Digital interventions to support the transformation programme
- Smaller bins for household waste if changes to recycling result in an increase in recycling and a reduction in residual waste
- Plus works that may become urgent during the financial year that cannot wait until the next budgeting cycle

£165K of the **Deferred Works Reserve** budget has been applied to offset unfunded overspends elsewhere in the Capital Programme, reducing the amount available to carry forward to 2023/24 from £1.204Million to £1.039Million. It is anticipated that there will be further pressures on the capital programme in 2023/24 and the budget of £1.039Milllion is requested to be slipped into that year, increasing the 2023/24 budget to £328K to £1.367Million, see paragraph 4.3.2.

4.1.4 **Finance & Estates contributed to** 13% of the variance. The largest element of the underspend is £315K against the Commercial Properties Refurbishment budget, which is charged to the General Fund by the HRA for works undertaken as part of the Major Repairs Contract (MRC) relating to the General Fund shop share of works below flats. It has been confirmed by the service that the underspend is required in 2023/24, as work to some neighbourhood shopping centres was incomplete or had not commenced by 31.03.23.

4.1.5 The remaining net variance of 8% is across the other Services:

- Communities & Neighbourhoods 4% underspend, mainly due to slippage in the works to Stevenage Arts & Leisure Centre (SALC) and the Swim Centre.
- Housing Development 3% underspend, related to the Kenilworth development phase 2 which is unable to proceed until completion of phase 1, which remains under construction and was impacted by pandemic related delays. The total overall spend is also subject to a reduction pending a decision on phase 2 design which has been prompted by changing market conditions. An alternate scheme design is likely to

result in lower capital expenditure and improve viability. Whilst these budgets have been slipped to 2023/24, a complete review of these figures will be necessary when the alternate scheme progresses.

- Digital & Transformation 3% underspend, due to a combination of staff shortages and a review of what activities should be focussed on. This resulted in lower spend across the shared IT Partnership. This is also a component of the HRA underspend on IT Including Digital Agenda in Table Seven. The IT service will need to establish the budget available for the IT Partnership in 2023/24 from East Herts District Council as well as Stevenage Borough Council.
- Stevenage Direct Services -1% net overspend, which includes
    - -£217K overspend on Garages, split between £112K taken from the 2023/24 budget and an overspend of £105K. The overspend includes staff time recharges which are being reviewed for potential reversal in 2023/24
    - £39K underspend on Green Space Access Infrastructure
    - £29K underspend on Flat block waste management infrastructure
    - £24K underspend on Waste and Recycling System
    - £12K underspend on Cemeteries System
    - £12K underspend on Review of Biodiversity Action Plan

4.2 2022/23 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 two: General Fund Resources	Brought forward	Received in Year (for capital)	Used in Year for capital	Used for other purposes	Available to Fund Future Year Expenditure
	£'000	£'000	£'000	£'000	£'000
Usable Capital Receipts	(£3,640.9)	(£3,376.7)	£2,962.8	£609.6	(£3,445.3)
Usable Capital Receipts ring fenced for Regeneration	(£4,461.6)	£0.0	£1,572.5	£0.0	(£2,889.1)
LA Share of RTB receipts	(£432.9)	(£371.6)	£452.4	£0.0	(£352.1)
Grant and Other Contributions General Fund	(£728.2)	(£453.3)	£456.5	£0.7	(£724.3)
Capital Reserve	(£44.4)	£0.0	£24.4	£0.0	(£20.0)
Towns Fund	(£2,209.8)	(£8,412.5)	£7,192.5	£0.0	(£3,429.8)
RCCO (includes use of revenue reserves)	(£148.3)	£0.0	£37.1	£0.0	(£111.2)
Revenue – New Homes Bonus (available for capital)	(£472.6)	£0.0	£230.0	£0.0	(£242.5)

Table two: General Fund Resources	Brought forward	Received in Year (for capital)	Used in Year for capital	Used for other purposes	Available to Fund Future Year Expenditure
	£'000	£'000	£'000	£'000	£'000
Short Term Prudential borrowing	£0.0	(£417.4)	£417.4	£0.0	£0.0
Prudential borrowing	£0.0	(£4,468.3)	£4,468.3	£0.0	£0.0
Total	**(£12,138.7)**	**(£17,499.9)**	**£17,813.9**	**£610.3**	**(£11,214.4)**

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

4.2.2 The most significant capital funding resources remaining at 31 March 2023 were capital receipts (£6.686Million / 59.6%). These are either already committed or ring fenced to schemes.

4.2.3 The 2022/23 General Fund capital receipts received in year were £3.377Million compared to budgeted receipts of £3.351Million, this is £26K higher than budgeted. The position for 2022/23 and 2023/24 are summarised below.

Table three: Capital Receipts	2022/23	2023/24
	£000	£000
Budget (quarter 3)	(£3,351)	(£4,171)
Changes:		
Planned Housing Development Schemes	£121	(£50)
Additional minor land sales	(£174)	
Vehicle sales	(£85)	
Garage Sales	£250	(£387)
Pre-sale costs & Risk Adjustment variations	(£138)	£209
Total Adjustments	**(£26)**	**(£228)**
REVISED RECEIPT	**(£3,377)**	**(£4,399)**

4.2.4 Grants and contributions are the next most significant capital funding resources remaining at 31 March 2023 (£4.154Million / 37.0%). £3.430Million of this is Towns Fund.

4.2.5 As mentioned in paragraph 4.1.1, additional grants and contributions totalling £253K were received by services to increase the size of the capital programme as follows:

- Lawn Tennis Association for Shephalbury Park Tennis Courts £96K
- Office for Zero Emissions Vehicles for On-street Residential Chargepoint Scheme £135K
- Revenue contribution towards vehicle purchases £22K

4.2.6 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. An update on the balances available for 2023/24 onwards is set out in the following table, and the CIL Team have been approached about whether the capital programme can utilise some of the balances available for the Play Area Improvement Programme and Green Space Access Infrastructure.

Table four:			
S106 Available for financing	O/Bal	Received	Available
	£	£	£
Children's Play space	10,999	3,554	14,553
Outdoor Sports/Open Space Facilities	(7,354)	106,181	98,827
Parking / Transport	123,760	0	123,760
Gardening Club	4,576	0	4,576
Arboretum	25,420	0	25,420
Biodiversity Net Gain	46,087	0	46,087
Pedestrian Link	35,000	0	35,000
Tree Replacement	0	3,588	3,588
Total	**238,488**	**113,322**	**351,810**
COMPLIANCE	3,750	8,500	12,250
MONITORING	750	4,925	5,675
	242,988	**126,747**	**369,735**

4.2.7 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 2022/23 was £214.6K (2021/22, £195.2K) and can be broken down as follows:

Table Five: MRP	2022/23	2023/24	
	£000	£000	
investment properties	35.1	35.1	funded from commercial income
general borrowing	130.7	130.7	funded from General Fund revenue resources
Garage Improvement Programme	48.8	89.1	funded from General Fund revenue resources
Railway Station Multi-Storey Car Park	0.0	41.0	funded from parking income
	214.6	**295.9**	

4.3 GENERAL FUND CAPITAL EXPENDITURE 2023/24

4.3.1 Members approved the 2023/24 General Fund capital programme totalling £26.927Million at the March 2023 Executive. This report identifies an increase as a result of scheme slippage and new resources of £6.796Million to £33.723Million as summarised in paragraph 4.1.1.

Capital Contingency

4.3.2 The 2023/24 capital programme included a deferred works reserve of £328K. As set out in paragraph 4.1.3 this can be increased to £1.367Million as the 2022/23 budget of £1.204Million has largely been unutilised. This budget is a contingency and can be used 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 Some of the potential financial capital pressures emerging, which may need to draw upon the deferred works reserve, were listed in paragraph 4.1.3. The full list of those identified to date is set out below:

Table Six: Risk of potential additional capital financing requirements	
Purpose	**£000**
Refurbishment needs for remedial works for garage impacted by asbestos	TBA
Funding for both the estate and fleet in order to help meet the Council's commitment to be carbon zero by 2030	TBA
Digital interventions to support the transformation programme	TBA
Actions arising from the SOCITM review due to conclude in March 2022 and a refresh of the IT Strategy and which would be subject to business cases	TBA
Smaller 180 Litre residual bins for general household waste may need to be purchased, due to the potential for introducing weekly recycling as part of the roll out of separate food waste collections, if there is an increase recycling and reduction in residual waste.	600
The 2022/23 growth bid of £100K for Ridlins Athletics represents the minimum work required to maintain operational integrity. There could be a requirement for major capital expenditure within the next three years of circa £900K depending on a long-term review of the site and facilities	900
The impact of the Ukraine and cost of living crisis on materials and new contracted works	**TBA**
TOTAL	**1,500**

4.3.4 These potential cost pressures and any use of the deferred works budget will be updated as part of the regular quarterly monitoring process. It is possible that some of the programme will need to be held if funds are not available.

4.4 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

4.4.1 The actual outturn for 2022/23 HRA capital spend was £1.628Million higher than the projected 3rd Quarter report. The following table identifies the areas of overspend and underspend and the slippage between financial years.

Table Seven	**2022/23 £'000**			**2023/24 £'000**		
Housing Revenue Capital Programme	**Working budget**	**Actual**	**Variance**	**Slippage**	**Working budget**	**Revised budget**
Housing Investment	£23,469.0	£24,270.0	£801.0	(£801.0)	£25,442.4	£24,641.3

Table Seven	2022/23 £'000			2023/24 £'000		
Housing Revenue Capital Programme	Working budget	Actual	Variance	Slippage	Working budget	Revised budget
programme						
Special Projects & Equipment	£63.5	£62.9	(£0.5)	£0.5	£25.0	£25.5
New Build (Housing Development)	£18,311.6	£19,399.7	£1,028.1	(£1,028.1)	£32,485.1	£31,457.1
IT Including Digital Agenda	£494.2	£293.7	(£200.5)	£200.5	£246.4	£466.8
Total	**£42,338.2**	**£43,966.3**	**£1,628.1**	**(£1,628.1)**	**£58,198.9**	**£56,570.8**

Underspend =()

4.4.2 There was an acceleration of spending due to the following reasons:

- Housing Investment - Decent Homes - Internal/External Works £586K. Additional works were required a result of a condensed programme of electrical testing to ensure we are fully compliant. This also included the installation of smoke & CO_2 detection to meet new legislation requirements. A greater number of properties required work than originally predicted.
- Housing Investment - Decent Homes - Flat Blocks £596K. The Major Repairs Contract (MRC) project is a 5-year programme and the additional spend in 22/23 is as a result of a higher proportion works being completed earlier than projected.
- Housing Investment - Sprinkler Systems - Flat Blocks £358K. As a result of the installation of sprinkler systems to our high rise blocks additional enabling works were required. These works included additional fire stopping and creating new areas within the blocks to accommodate the plant required.
- Housing Investment - Contingent Major Repairs £203K. There was a requirement for unplanned works to convert a number void properties for use by residents with disabilities and specific housing requirements.
- Housing Investment – Communal Heating £261K. More work was necessary than had been envisaged. This was due to original surveys being non-invasive, so a great deal of unforeseen works were necessary and exploratory surveys to determine extent of work required. Also, the service were in the main not replacing internal pipework and radiators so had issues with old valves and pipes as well as balancing the systems. In addition once they had opened up/exposed the sites, other works such as communal fans, lighting, ceiling renewals and fire protection work (compartmentation, fire doors, Fire Wardens etc.) were required much of which was not predicted or within the original scope of work.
- Housing Investment – Asset Review £287K. It has come to light that some expenditure was coded to this budget which should have been charged against the Energy efficiency pilot, so this overspend partially nets off the £1.155Million underspend in paragraph 4.4.3. The team are now aware and will be charging the works correctly in 2023/24.
- Housing Investment – Disabled Adaptations £127K. There were a backlog of cases from the Covid lockdown, plus the team experienced a significant increase in referrals as well as delivering a higher than normal number of relocation cases (works to void properties) up from the typically 3-6 per annum to 14 or 15 void

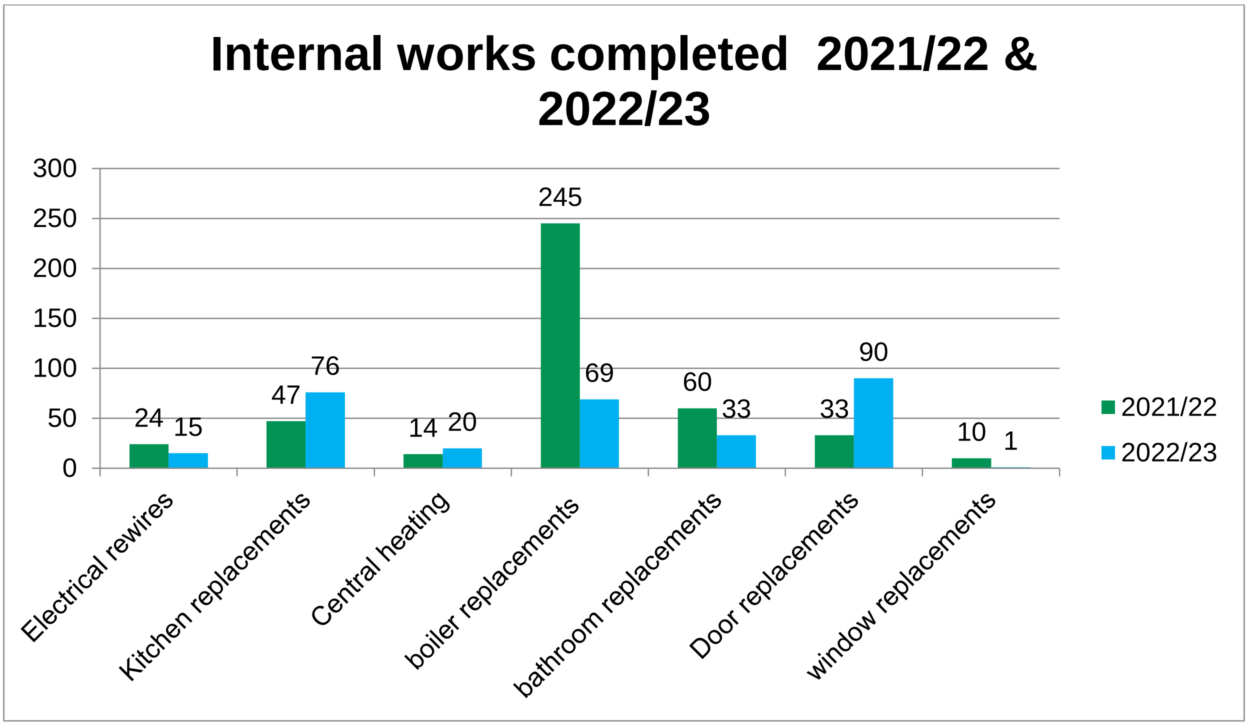
properties at one time. There is still a list of around 60 residents in need of alternative accommodation but without the stock available.

- Housing Development £1.0M - The principal reason for the overspend is related to the purchase of land to facilitate the development of Burwell Phase 2. The opportunity to accelerate the purchase was raised at the March Executive, and it was agreed that this opportunity should be taken. The overspend therefore helps the development of 20 new affordable homes which ensures the Council is able to continue to meet its ongoing commitment to delivering new social and affordable homes.

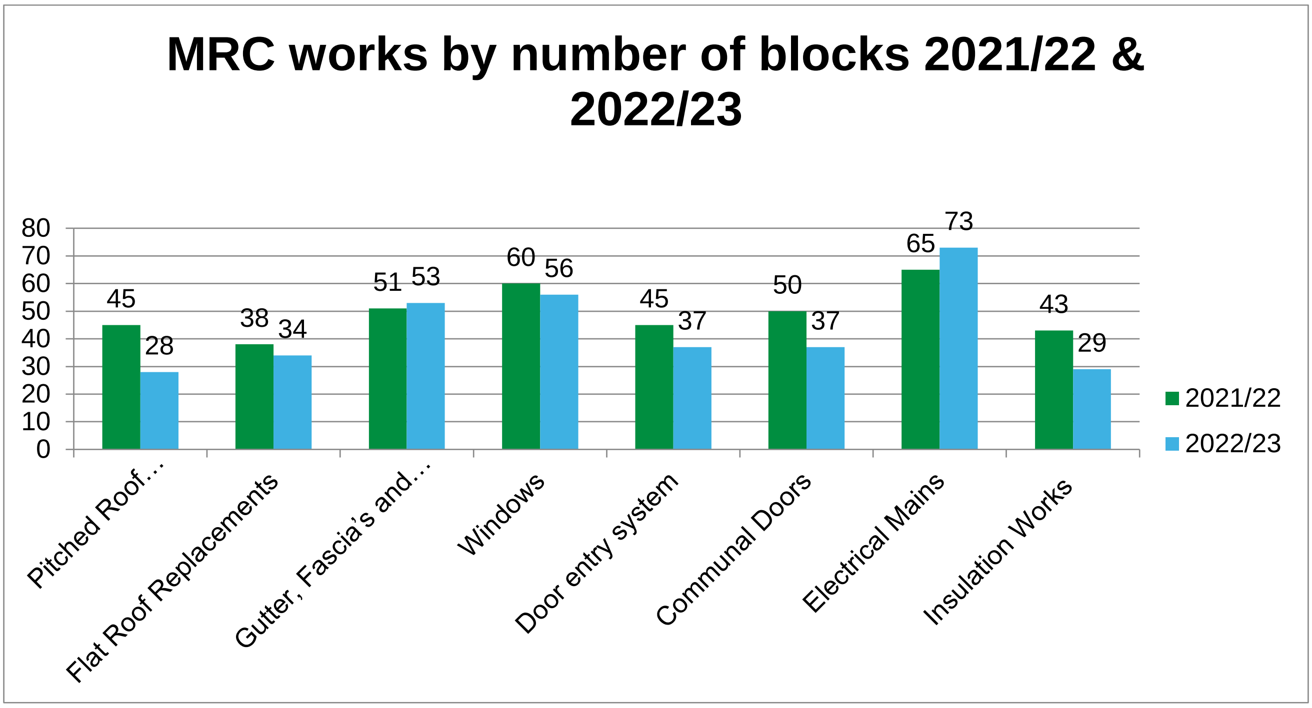
4.4.3 The HRA major underspends are against the following budgets:

- Housing Investment – Energy efficiency pilot and decarbonisation net £1.155Million. These works form part of the governments Social Housing Decarbonisation Fund (SHDF) programme. The timescales for the programme were extended and the project extended and the balance of spend will now be delivered in 23/24.
- Housing Investment – Lift Installation £304K. This was the last year of the lift refurbishment programme and less work was necessary than was originally envisaged.
- Housing Investment – Fire Safety £139K. The underspend is largely due to a delay in getting works issued for remedial works in the external wall system to the five high rise blocks. This work is now to be combined with additional works for these blocks and has been slipped to 2023/24.
- Housing Investment – High Rises Improvement Works £111K. The budget for High Rise improvement works has been slipped to 2023-2024. The reports the service received after the High Rise Options appraisal carried out in 2022/23 have needed a more detailed approach, therefore the works were not carried out in 2022/23.
- Digital & Transformation £200K. The underspend includes £47K against the IT Partnership budget as previously referred to in paragraph 4.1.5. There were also underspends against new customer relationship management technology and other Housing IT improvements, all of which have been requested to slip to 2023/24.

4.4.4 In 2022/23 the **MRC programme** has delivered capital improvement works carried out internally to properties as shown in the following chart:



4.4.5 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 2022/23 the MRC programme delivered works to 80 flat blocks around Stevenage (94 in 2021/22). The works consist of the following:



4.4.6 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 2022/23 was 930 (860 in 2021/22). The number of non-decent properties was 1,424 at year end (2,666 in 2021/22) against the target for 2022/23 of 1,629, so the 2022/23 target was exceeded by 205.

4.4.7 **New build and acquisitions programme:** A total of 27 additional homes were provided to Stevenage residents, including 6 in Raleigh Crescent, as well as the accommodation purchased through the Council's wholly owned company.

4.4.8 Work continues at the Kenilworth Close and Symonds Green sites, which combined will provide over 250 new homes, including 147 units of new affordable accommodation. The schemes at Dunn Close and Oaks Cross will provide a further 38 homes for those in need of supported accommodation.

4.4.9 Sales at Malvern Close and North Road have generated income of over £3.0Million for the HRA in 2022/23, with proceeds enabling the delivery of further affordable accommodation and regeneration within the town.

4.4.10 There are proposals for over 400 new homes which have been consulted on with the public over the course of 2022/23, for which the ambition is to seek planning approval in 2023/24.

4.5 HOUSING REVENUE ACCOUNT CAPITAL RESOURCES

4.5.1 The capital resources available to support the future capital programme as at 31st March 2023 are £20.888Million. The resources are summarised in the following table:

Table Eight: Housing Revenue Account Resources	Brought Forward	Received in Year	Used to finance HRA capital	Used in year for other purposes	Available to Fund Future Year Expenditure
	£'000	£'000	£'000	£'000	£'000
Major Repairs Reserve (Depreciation)	(£22,810.1)	(£13,156.3)	£24,532.3	£0.0	(£11,434.1)
Usable Capital Receipts	(£1,313.7)	(£3,925.8)	£5,239.5	£0.0	£0.0
One for One Receipts	(£9,070.2)	(£4,373.8)	£5,891.3	£0.0	(£7,552.8)
Debt Provision Receipts	£0.0	(£1,024.2)	£1,024.2	£0.0	(£0.0)
S20 and Other grants & contributions	(£2,408.2)	(£1,607.7)	£1,757.6	£357.0	(£1,901.3)
Revenue Contribution to capital	£0.0	(£947.9)	£947.9	£0.0	£0.0
Borrowing	£0.0	(£4,573.5)	£4,573.5	£0.0	£0.0
TOTAL	**(£35,602.2)**	**(£29,609.2)**	**£43,966.3**	**£357.0**	**(£20,888.1)**

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

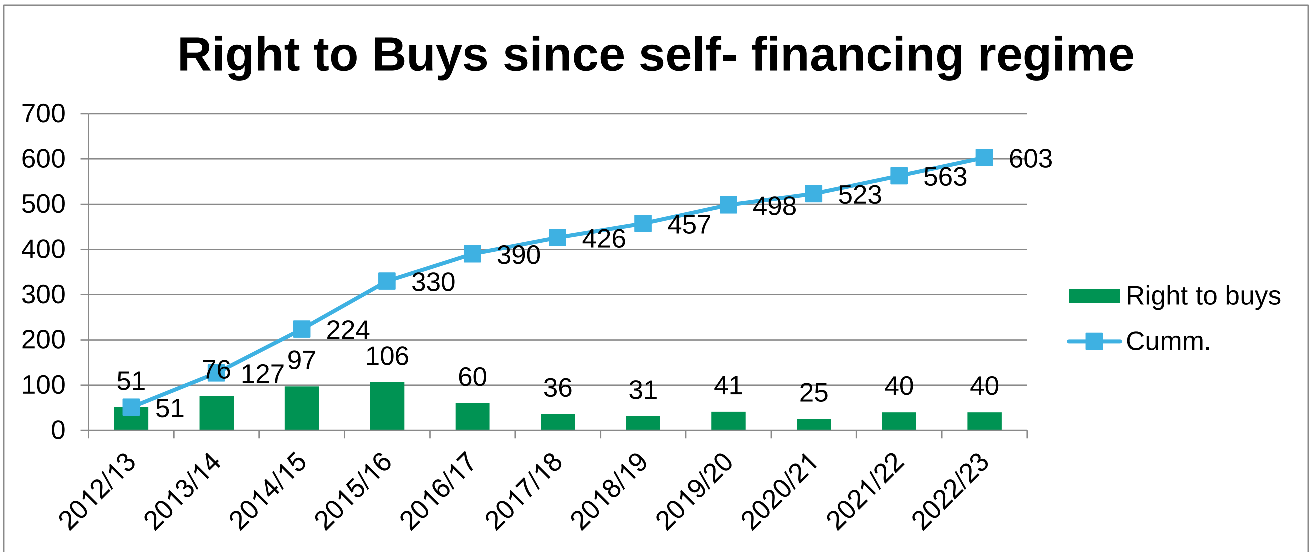
4.5.2 There were 40 homes sold under Right to Buy (RTB) during 2022/23, resulting in net capital receipts of £6.275Million.

4.5.3 The HRA RTB receipts used in year to finance the capital works was £5.891Million leaving a balance of £7.553Million of 1-4-1 receipt available to fund future new build schemes such as Kenilworth and Symonds Green.

4.5.4 As in 2021/22, under the amended rules for the reporting and use of 1-4-1 receipts, one return was submitted at the end of the year for the whole of 2022/23 and eligible expenditure could be funded with 40% of 1-4-1 receipts rather than 30%.

4.5.5 The current projection for the use and return of 1-4-1 receipts based on the rule changes is that they will be fully utilised with no forecast repayments.

4.5.6 Right to buy sales have fallen from the peak of 106 sales in 2015/16 to 40 sales in 2022/23 as shown in the chart below.



4.5.7 COVID, Brexit and other factors such as geopolitical events may have an impact on the capital programme for some time in terms of:

- Availability of contractors
- Cost of construction materials (which have seen a significant increase)
- An anticipated increase in inflation which could see materials and borrowing rates rise further.

HRA Borrowing

4.5.8 The HRA capital programme included plans to borrow £85.082Million over the period 2019/20 to 2024/25 to fund future capital works, in line with the £85.082Million in the last HRA Business Plan (HRA BP). The HRA programme was funded from £4.574Million of borrowing for 2022/23, none of which was taken as external borrowing. External borrowing will need to be taken during 2023/24 to replace some of the internal borrowing from prior years. The current position of external borrowing taken is set out in the table below.

Table Nine: HRA debt	Capital Outturn	Capital Forecast	External borrowing	Internal borrowing
	£000	£000	£000	£000
2019.20	7,057		4,010	3,047
2020.21	20,858		10,000	10,858
2021.22	24,997		9,047	15,950
2022.23	4,574			4,574
2023.24		20,135		
2024.25		9,186		
Total new borrowing	**£85,082**		**£23,057**	**£34,427**

4.5.9 Not all the loans were taken externally. Rates have fluctuated considerably since the HRA BP was written and on 15th June 2023 a new concessionary HRA rate was introduced by the PWLB reducing the cost of borrowing from the regular concessionary rate of Gilts + 80 to a HRA rate of Gilts + 40. The cost of borrowing is being recalculated. There are number of mitigating factors to offset external borrowing costs 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 BP can look at a different profile of loans (e.g. different repayment profiles to reduce costs).
- The HRA has an interest equalisation reserve to reduce the impact in the short term

4.5.10 The HRA capital programme assumes some funding from **S20 receipts**, (works undertaken on leaseholder properties) which will be used to fund some of the MRC works totalling £2.25Million for the period 2021/22-2024/25. Invoices were raised to the value of £997K, against which £655K has been received and utilised for capital financing. A balance of £342K was outstanding as at 31.03.2023. The use of S20 receipts will need to be reviewed as part of the HRA BP refresh in terms of any revised profiling and there may be a need to switch funding resources between years.

4.6 HOUSING REVENUE ACCOUNT CAPITAL EXPENDITURE 2023/24

4.6.1 Members approved the 2023/24 Housing Revenue Account capital programme totalling £58.199Million at the March 2023 Executive. This report identifies a decrease to the 2023/24 programme of £1.628Million, as a result of scheme slippage as summarised in paragraph 4.4.1 and set out in more detail in paragraph 4.4.2. This means the total budget for 2023/24 is £56.571Million.

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 BP will be on the Executive agenda, later in the financial year.

4.7 APPROPRIATIONS

4.7.1 Appropriation between the funds needs Member approval and as such officers are seeking approval for the following transfer of land, for the reason of redeveloping the site for new HRA properties.

4.7.2 As part of the housing development at Brent Court, there will be an appropriation of land in the form of the existing garage block comprising a total of 93 garages, which makes up the development site to provide 96 new independent living units for affordable accommodation. This would need to be appropriated from the General Fund to the HRA. A red book valuation needs to be obtained for the value of the site, in the meantime a working figure based on the percentage of the land value of the garage estate in the asset register is £137,545. The formal valuation may be lower due to the block having been mothballed since 2009 and would have significant (circa £250K) repair costs to bring them up to a lettable standard.

5 IMPLICATIONS

5.1 Financial Implications

5.1.1 Financial implications are implicit in the report.

5.2 Legal Implications

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

5.3 Equality and Diversity Implications

5.3.1 None specifically in relation to this report.

5.4 Risk Implications

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

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

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

5.4.4 The level of available receipts is low in comparison to 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 been reduced (unlike in previous years) with the change to the one for one receipt rules as set out in previous reports.

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 Quarter 3 Monitoring Report (Capital) - General Fund and Housing Revenue Account (March 2023 Executive)

Appendices

A - General Fund Capital Programme

B - HRA Capital Programme