

Meeting: EXECUTIVE
Portfolio Area: Resources
Date: 15 November 2023



QUARTERS 1 AND 2 CAPITAL BUDGET MONITORING REPORT 2023/24

KEY DECISION

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1. PURPOSE

- 1.1 To provide Members with an update on the Council's 2023/24 capital programme for Quarters 1 and 2.
- 1.2 To seek approval for the revisions to the General Fund and Housing Revenue Account (HRA) capital programmes.
- 1.3 To note the change in available resources to fund the capital programme.

2. RECOMMENDATIONS

- 2.1 That net budget increases of £447K be approved (2023/24 £316K, 2024/25 £131K), (see paragraph 4.4).
- 2.2 That reprofiling of £15.016Million from 2023/24 to 2024/25 be approved (see paragraph 4.5).
- 2.3 That Executive note the content of Appendix C 'Treasury Management Update Quarter Ended 30th June 2023. The 2021 Prudential Code and TM Code introduce a new requirement that monitoring of the treasury management indicators should be reported quarterly (along with the other prudential indicators) as part of the authority's general revenue and capital monitoring. Quarter 2 will be reported in the 2023/24 Mid-Year Treasury Management Review and Prudential Indicators report.

3. BACKGROUND

- 3.1 The 2023/24 original capital programme budget was approved by Council on 22 February 2023, General Fund £34.02Million and HRA £62.42Million.

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3.2 Quarterly revisions to the budgets are agreed by Members at Executive as part of the Council's Capital Monitoring process.

4. REASONS FOR RECOMMENDED COURSE OF ACTION AND OTHER OPTIONS

4.1 The total Capital Programme, detailing all programmes with the relevant approval to spend, is detailed in Appendix A and B. It shows the revised budget position inclusive of carry forwards from 2022/23.

4.2 The capital budget for the current financial year is summarised in Table One below and provides the latest position reflecting updated programme expenditure profiles as advised by programme managers.

Table One	2023/24 £'000				2024/25 £'000	TOTAL £'000
	Q1 Working Budget	Actuals 23/24 Pd1 - Pd6	Q2 Revised Budget	Variance Q1 v Q2	Q2 Revised Budget	Q2 Revised Budget
Capital Programme						
General Fund Schemes						
SDS	£6,283	£776	£6,539	£256	£1,321	£7,860
Housing Development	£2,679	£125	£2,590	(£89)	£17,775	£20,366
Finance & Estates	£2,207	£151	£1,725	(£482)	£707	£2,432
Digital & Transformation	£602	£3	£602	£0	£104	£707
Regeneration	£18,501	£912	£12,532	(£5,969)	£21,587	£34,118
Communities & Neighbourhoods	£2,327	£1,319	£2,269	(£58)	£146	£2,415
Planning & Regulatory	£538	£16	£604	£67	£421	£1,025
Deferred Works Reserve	£1,346	£0	£1,279	(£67)	£230	£1,510
Total GF	£34,483	£3,302	£28,140	(£6,343)	£42,292	£70,432
HRA Schemes						£0
Housing Investment	£24,641	£7,400	£24,641	£0	£20,070	£44,712
Special Projects & Equipment	£26	£75	£48	£22	£25	£73
Housing Development	£28,799	£5,255	£20,420	(£8,379)	£43,565	£63,985
Digital & Transformation	£447	£14	£447	£0	£51	£498
Total HRA	£53,913	£12,744	£45,556	(£8,357)	£63,711	£109,267
Total Capital Programme	£88,396	£16,045	£73,696	(£14,700)	£106,003	£179,699
Increases				£316		
Slippage				(£15,016)		

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4.3 The overall changes between the Q1 Working Budget and the Q2 Revised Budget for 2023/24 to 2026/27 are as follows:

Table Two	2023/24	2024/25	TOTAL
Capital Variances	Variance	Variance	Variance
	Q1 v Q2	Q1 v Q2	Q1 v Q2
	£'000	£'000	£'000
General Fund Schemes			
SDS	£256	£0	£256
Housing Development	(£89)	£89	£0
Finance & Estates	(£482)	£522	(£40)
Regeneration	(£5,969)	£5,969	£0
Communities & Neighbourhoods	(£58)	£101	£43
Planning & Regulatory	£67	£131	£198
Deferred Works Reserve	(£67)	(£45)	(£112)
Total GF	(£6,343)	£6,768	£426
HRA Schemes			
Special Projects & Equipment	£22	£0	£22
Housing Development	(£8,379)	£8,379	£0
Total HRA	(£8,357)	£8,379	£22
Total Capital Programme	(£14,700)	£15,147	£447
Of which the net changes are	£316	£131	£447

4.4 The net changes in the budgets are an increase of £447K and are due to the reasons set out in Table 5 below.

Table Three: Budget changes		
Budget Change £	Year	Reason
Stevenage Direct Services		
180,883	2023/24	Garages Improvement Programme: increase funded from freeholder charges for works to sold garages
46,090	2023/24	New S106 allocation for Biodiversity Net Gain.
11,472	2023/24	Increase in actual cost of vehicles ordered versus estimate
17,950	2023/24	Essential works needed to keep weighbridge operational.
256,395		
Finance & Estates		
44,670	2024/25	Where MRC works are completed on sites where HRA flats are above neighbourhood shops a proportion is charged to the General Fund for the Commercial Properties element, this increase is based on the latest estimate from the programme.
(4,540)	2023/24	Net saving across a number of schemes, used to top up the Deferred Works Reserve
40,130		
Communities & Neighbourhoods		
12,030	2023/24	Additional grant received from the Lawn Tennis Association for Shephalbury Tennis Courts.

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Table Three: Budget changes		
Budget Change £	Year	Reason
(11,400)	2023/24	The actual capital investment required for the new Leisure contract is £11,440 lower than the £1.2Million budget
40,000	2023/24	Increase in costs for permanent colour changes in lighting the Clock Tower in the Town Square. Currently an external contractor is used to provide lighting for a short period (30 minutes) at cost of £300-£400 each time a lighting request is made by members or through a national request, in addition officer time outside of hours is required to be in attendance. The original budget was £25K. The current quote is being reviewed as it had limitations for the lighting the scope has increased to include more lights and the possibility of underwater lights as well. There service is trying to find a satisfactory scope vs quote balance.
2,000	2023/24	Increase in costs for the Community Safety mobile CCTV cameras.
42,630		
Planning& Regulatory		
25,400	2023/24	The report to Executive on the Proposed Development of the Forum of 15 March 2023 recommended that the capital receipt received as part of the development be used for car park improvements. This increase relates to improved CCTV for St Georges MSCP.
41,210	2023/24	Works relating to the grant received from the UK Shared Prosperity Fund, now included in the capital programme. A package of Neighbourhood improvements driven through the work of the Co-operative Neighbourhoods programme and influenced by engagement and involvement with over 3,500 residents and Informal Executive sessions. Capital funding would be utilised to support three key elements: •Uplifts and improvements to several Neighbourhood centres throughout Stevenage. •Uplifts and improvements to targeted walkways and pathways throughout Stevenage – through the addition of assets (such as bins, planters, benches etc) •A programme of street art projects designed to combat the current challenges around Graffiti in the town. These would be focused on
131,310	2024/25	Electrical cabinets and underpasses in the first instance.
197,920		
Use of Deferred Works Reserve		
(11,470)	2023/24	Net change from estimated costs of SDS vehicles.
(17,950)	2023/24	Essential works needed to keep weighbridge operational.
(44,670)	2024/25	Increase in MRC recharge for Commercial Properties Refurbs.
(2,000)	2023/24	Increase in costs for the Community Safety mobile CCTV cameras.
(40,000)	2023/24	Increase in costs for the permanent Lighting the Clock Tower in the Town Square.
4,540	2023/24	Top-up from net saving across a number of schemes.
(111,550)		
HRA Special Projects & Equipment		
21,900	2023/24	To replace stolen repairs and voids vans, funded by insurance claim.
21,900		
447,425	TOTAL	

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4.5 Reprofiting of budgets

4.5.1 Reprofiting of budgets are changes regarding the forecast timing of expenditure from the approved programme, between financial years, with no reported increase or decrease in budget requirement.

Table Four Slippage	2023/24 £'000	2024/25 £'000
Housing Development - General Fund	(£89)	£89
Finance & Estates	(£478)	£478
Regeneration	(£5,969)	£5,969
Communities & Neighbourhoods	(£101)	£101
Housing Development - HRA	(£8,379)	£8,379
Total	(£15,016)	£15,016

4.5.2 Housing Development – General Fund

This is a reprofiling of the Housing WOC budget, part of the total budget of £15Million available to lend to the WOC for new scheme opportunities. The current unallocated funding is being slipped to 2024/25.

4.5.3 Finance & Estates

Slippage of EPC Surveys and EPC Remedial Works budgets from 2023/24 into 2024/25, due to a longer timeframe for the work. The budgets are still required due to new legislation coming into force in a few years. All newly rented properties (both residential and commercial) must reach an EPC rating of 'C' or above by 2025. Any existing rented properties (both residential and commercial) must have an EPC rating of 'C' or above by 2028. In addition there is slippage due to actual versus forecast in the HRA MRC recharge for Commercial Properties Refurbishment, primarily due to Covid.

4.5.4 Regeneration

A report has been taken to the Stevenage Development Board and October Executive to reprofile the Towns Fund budgets. It includes the reprofiling the £4Million Stevenage Enterprise Centre and £2Million Stevenage Innovation & Technology Centre budgets from 2023/24 to 2024/25.

4.5.5 Communities & Neighbourhoods

Work delayed on the lift replacement at Stevenage Arts & Leisure Centre due to the initial tender being unsuccessful. The lift project tender submissions could not meet the timescale required as works need to be done when the theatre is closed between June and July. Procurement for a new lift is about to be published which will enable bidders to meet the timescale required. The revised plan included removing a stairlift from the original specification and procuring an elevator system which will be installed from floor 2 to 1 which will ensure access for users with mobility problems should the existing lift fail.

4.5.6 Housing Development – HRA

The profile of the Schemes Under Development budget has been changed to reflect a more realistic progress of major schemes including Brent Court Garages. This scheme is awaiting the final S106 agreement before commencement of works.

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4.5.7 Internal reallocation of budgets

Housing Investment budgets have been reallocated as per the following table.

Table Five Reallocations	2023/24 £'000	
Decent Homes Internal/External Works Voids	£467.5	Additional budget to support void property capital works. The one-off heating budget has also been moved and incorporated into this project.
Decent Homes Internal/One off Heating Works	(£175.0)	Budget not required incorporated into Decent Homes heating budget.
Decent Homes Electrical	£220.0	Additional budget to support works following the ongoing programme of electrical testing. In addition, the requirement to upgrade emergency lighting and install detection in homes.
MRC Flat Blocks - Wates	£800.0	A number of flat blocks have been brought forward in the programme to this year. This is to allow MRC works to be carried out at the same time as works under the Social Housing Decarbonisation Fund (SHDF).
Communal Heating	£80.0	Increase in the scope of work required. This is the final contract payment for this project originally planned to complete in 2022/23.
High Rises - Improvement Works	(£1,025.8)	The main phase of works is now due to commence in 2024/25. This will allow full consultation, detailed design work and procurement to take place. The budget has been re-allocated to bring forward other works which are required this year across various schemes.
Fire Safety	(£395.3)	This is to allow works to be completed in other areas of Building Safety & Compliance which sit against other budgets.
Stock condition Surveys	£28.6	To allow additional EPC data to be captured through the Stock condition survey. The volume of surveys has also been increased for this year.
Total	£0.0	

2023/24 Forecast and Expected Outcomes

4.6 Actual spend versus the budget

4.6.1 The actual spend of the capital programme at Quarter 2 was £16.045Million excluding some staff recharges which are still to be processed in the coming months. This represents 22% of the revised budget for 2023/24. The spend against the General Fund budget is 12% and the HRA budget 28%.

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4.7 Service Updates

4.7.1 Stevenage Direct Services, spend to Quarter 2 is £776K or 11.9% of Revised 2023/24 Budget

- Play Areas and Peartree skatepark
These works will commence October following recruitment of a Project Officer.
- Streets & Grounds software
Implementing this system also requires new revenue budget of circa £50k per annum and this budget is still to be identified / agreed. The service is reviewing the business case for this project to try and achieve the necessary revenue funding.
- Cavendish fire protection – phase 2
There has been a delay in concluding the phase 1 works, which in turn has delayed the phase 2 works.
- Fleet
The service is experiencing longer lead in times for vehicles generally, which has impacted on spend in-year. However, this will not cause any operational issues.
- Garages Improvement Programme (GIP)
New interim contractor arrangement is now in place, for a further year until August 2024. Estates are now working on a revised garage strategy to follow on from this in September 2024. An underspend against the original budget agreed for the GIP is likely, which will be retained to deliver interim works until the future garage asset strategy is completed. The level of capital financing required going forwards needs to be established.

Forward thinking considerations:

- National Waste & Recycling Reforms
Following feedback from local authorities on earlier proposals, the Government has decided:
 - Councils won't have to put the reforms in place for households until April 2026
 - Councils will have a lot of flexibility over the number of bins they have to provide, reducing the need for changes that don't work locally; and
 - Councils can continue to charge for garden waste collection as at present.

The reforms will place the following obligations on local authorities in respect of households:

- Collecting food waste on a weekly basis separately from all non-organic waste
- Collecting garden waste where requested
- Collecting dry recycling (card and paper, glass, plastics and metal) separately from residual and organic waste – but with no requirement to collect these dry recycling streams separately from each other.
- Councils will, therefore, have to provide no more than three bins (with an optional addition for garden waste).

There will be funding for all of the above new burdens. Some of that funding will come from central government and some from EPR, but all EPR funding for new burdens will be in addition to EPR to fund the existing commitments of local authorities in collecting and disposing of packaging waste.

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4.7.2 Regeneration, spend to Quarter 2 is £912K or 7.3% of Revised 2023/24 Budget

The regeneration programme continues to progress with several of its larger schemes. Key areas of spend for Q2 onwards will include the Sports and Leisure hub subject to Executive approval in October, and the Public Sector Hub is moving into design stage as the team finalise the remaining procurements of technical expert support. There has been a certain amount of spend on the other Towns Fund related projects including the Cycling and Pedestrian (including arts and heritage trail) which has seen the delivery of a series of underpass improvements.

4.7.3 Housing Development, spend to Quarter 2 is £5.380Million or 23.4% of Revised 2023/24 Budget (HRA and GF)

- **HRA Budgets**

The service is fairly confident with the current year forecasts, with handover of 54 new homes taking place at Symonds Green and Kenilworth Close. The final phase of Kenilworth is expected to handover at the end of the financial year, and Dunn Close is expected early in 2024/25. Work is ongoing in terms of development of potential future schemes at the Brent Court Garages site, Ellis Avenue, Cartref and The Oval.

- **General Fund Budgets**

Current Year Forecasts on GF elements of Phase 1 of Kenilworth Close due to finish this financial year. An Executive Report regarding Phase 2 at Kenilworth Close is scheduled for November, so there may be updates to Kenilworth budgets in Q3 capital monitor report.

- **Capital Receipts**

Forecast capital receipts are largely on track, with the forecast receipt for Shephall View likely to be received in Q4 2023/24. Kenilworth Close HRA receipts are currently coming in, with over £800K received to date, and further sales progressing.

- **Other financing**

The grant application submitted to Homes England for £10.560Million for the Brent Court Garages scheme has been approved by Homes England.

4.7.4 Housing Investment, spend to Quarter 2 is £7.475Million or 30.3% of Revised 2023/24 Budget

- The service is still projecting full spend against the 2023/24 budget. The MRC and Decent Homes budgets are fully contractually committed and works on site.

- Work is progressing on the revised HRA Business Plan (HRA BP) which will lead to updates to the capital expenditure and financing for 2024/25 onwards.

4.7.5 Planning & Regulatory, spend to Quarter 2 is £16K or 2.7% of Revised 2023/24 Budget

The service is awaiting confirmation on how and when the car park budgets will be spent. The service anticipates they will at least be committed by year end, with the exception of the Workplace Travel Plan. This is being held in reserve for car park EV chargers in case a future funding bid fails so there is potential for this to slip.

4.7.6 Digital & Transformation, spend to Quarter 2 is £17K or 1.6% of Revised 2023/24 Budget (HRA and GF)

The IT Partnership budgets for the shared service with East Herts District Council are being reviewed. IT officers are revising the list of projects they are working on and their priorities and this will be updated in the Q3 capital monitor report.

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4.7.7 Communities & Neighbourhoods, spend to Quarter 2 is £1.319Million or 58.1% of Revised 2023/24 Budget

Capital investment funding of £1,188,596 for improvements to the leisure facilities and included within the new contract. The investment projects were completed by early September, highlights included new gym equipment and refurbishment of the gym areas. Refurbishment of the Theatre foyer area including a new relocated café and box office, reconfiguration of the bar servery, new flooring and large screen installations. Further investments include the new interactive golf system in the driving range, an LED light replacement programme. I.T equipment branding and signage. Other spends relates to landlord liabilities for leisure buildings.

4.7.8 Finance & Estates, spend to Quarter 2 is £151K or 8.8% of Revised 2023/24 Budget

Capital Financing

4.8 Table Six sets out the current financing position for the 2023/24 Capital Programme.

Table Six: Financing the Capital Programme 2023/24	Brought forward	Received in Year	Used in Year for capital financing	Used to repay ST borrowing	Available for Future Year Expenditure
	£000	£000	£000	£000	£000
General Fund and Locality Review Receipts	(£4,181)	(£5,745)	£9,305	£417	(£204)
Ring Fenced and SG1 Capital Receipts	(£2,714)	(£1,300)	£5,098	£0	£1,084
HRA Capital Receipts	(£7,553)	(£8,214)	£7,846	£0	(£7,921)
Towns Fund	£0	(£7,458)	£7,458	£0	£0
Other Grant & Contributions General Fund	£0	(£1,590)	£1,590	£0	£0
HRA Grants & Contributions	£0	(£4,266)	£4,266	£0	£0
General Fund Revenue Contributions	(£20)	(£677)	£697	£0	(£0)
HRA Revenue Contributions	£0	(£260)	£260	£0	£0
MRR	(£11,434)	(£13,808)	£13,048	£0	(£12,194)
Short Term Prudential borrowing	£0	(£302)	£302	£0	£0
Prudential borrowing	£0	(£23,826)	£23,826	£0	£0
Total	(£25,902)	(£67,446)	£73,696	£417	(£19,234)

4.9 CAPITAL RECEIPTS

4.9.1 General capital receipts – the forecast for receipts expected in 2023/24 has decreased by £269K to £4.130Million, and in 2024/25 has increased by £550K to £10.723Million, a net increase of £281K. Two of the garage site sales were at amber status in 2023/24 but have now been slipped to 2024/25. A risk adjustment is made for amber status and we assume only 50% of the receipt will be realised. A number of minor receipts from deeds of release and similar are also forecast totalling £71K in 2023/24.

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Table Seven: Capital Receipts	2023/24	2024/25
	£000	£000
Previous receipts forecast	(£4,399)	(£10,173)
Changes:		
Planned Housing Development Schemes	£0	£0
Garage Sales	£385	(£732)
Minor Receipts	(£71)	£0
Pre-sale costs & Risk Adjustment variations	(£45)	£182
Total Adjustments	£269	(£550)
REVISED RECEIPT	(£4,130)	(£10,723)

() denotes forecast income or an increase to the previous forecast

- 4.9.2 Locality Review Site Disposals –a pipeline of land disposals to maintain the resilience of the General Fund balance. The current position is detailed below and shows an overall increase of £120K of which £80K is in 2023/24, however it should be noted that of the eight sites included in the 2023/24 total, five have ‘Amber’ status and so have a Risk Adjustment (as with General Receipts, we assume only 50% receipt will be realised for amber status).

Table Eight: Locality Receipts	Previous Forecast	Revised Forecast	Variance
	£000	£000	£000
Year 2023/24	(£1,160)	(£1,240)	(£80)
Year 2024/25	£0	£0	£0
Year 2025/26	(£800)	(£1,150)	(£350)
Year 2026/27	£0	£0	£0
Year 2027/28	(£310)	£0	£310
TOTAL	(£2,270)	(£2,390)	(£120)

() denotes forecast income or an increase to the previous forecast

- 4.9.3 Forecast use of capital receipts are included in **Appendices A** and **B**. None of the General Fund forecast 2023/24 receipts have been received to date. There have been total HRA receipts so far in 2023/24 of £2.787Million, £1.533Million from Right To Buy sales and £1.254Million from sales at the Kenilworth housing development.

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.

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5.3 Equality and Diversity Implications

5.3.1 None directly arising from 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 Quarter 3 monitoring report. 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.

5.4.5 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.

5.4.6 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.

5.5 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 2023 (Council)

BD2 - Capital Outturn July 2023 (Executive)

BD3 - Regeneration Update (Station Gateway and SG1 Plot B) October 2023 (Executive)

Appendices

A - General Fund Capital Programme

B - HRA Capital Programme

C - Treasury Management Update - Quarter Ended 30th June 2023