

**Meeting**                   **CABINET**  
**Portfolio Area**       Resources and Transformation  
**Date**                     **15 January 2025**



**DRAFT CAPITAL STRATEGY 2024/25-2028/29**

**KEY DECISION**

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**1           PURPOSE**

- 1.1       To approve revisions to the 2024/25 General Fund (GF) and Housing Revenue Account (HRA) Capital Programme and Strategy and approve the draft Capital Programme for 2025/26 for consideration by the Overview & Scrutiny Committee.
- 1.2       To provide Members with an update on the Council’s draft Five-Year Capital Strategy and the resources available to fund the Capital Strategy.
- 1.3       To provide Members with an update on the Council’s investment strategy as required by the updated prudential code.
- 1.4       To set out the Council’s approach to funding its key priorities.
- 1.5       To update Members on the work of the Council’s Financial Security Group (CFSG) in reviewing all General Fund capital bids prior to inclusion in the draft 2025/26 Capital Strategy.
- 1.6       This item is a policy and budget report that cannot wait until the February Cabinet for publication.

**2           RECOMMENDATIONS**

That the:

- 2.1       Draft General Fund Capital Budget for 2025/26 of £37Million, as set out in Appendix C to the report, be approved.

- 2.2 Consultation responses in relation to General Fund proposed growth bids by the Council Financial Security Group (CFSG) 19 November 2024, be considered (section 4.14).
- 2.3 Draft HRA Capital Budget for 2025/26 of £51.3Million, as set out in Appendix B to the report, be approved.
- 2.4 Updated forecast of resources 2025/26 be approved, General Fund section **Error! Reference source not found.**, HRA section 4.9.
- 2.5 General Fund capital budget virement of £40,000 from the deferred works reserve to fund boiler replacement and hot water systems work at Ridlins be approved (paragraph 4.2.3).
- 2.6 Approach to resourcing the General Fund capital programme as outlined in the report (Paragraph **Error! Reference source not found.**) be approved.
- 2.7 General Fund growth bids identified for inclusion in the Capital Strategy (paragraph **Error! Reference source not found.**, and Appendix A to the report) be approved in principle, including the increase in the deferred works reserve budget of £282K (section 4.2).
- 2.8 Budget for the refitting of the space currently occupied by the indoor market for re-letting and the capital works to make the new indoor market location at Park Place fit for purpose (paragraphs 4.8.1 and 4.8.2) be approved.
- 2.9 Community infrastructure levy of up to £5Million, can be used to fund future infrastructure projects as outlined in paragraph 4.6.1.
- 2.10 HRA budget changes identified for inclusion in the Capital Strategy (section **Error! Reference source not found.** and Appendix B to the report) be approved.
- 2.11 Approach to resourcing the HRA capital programme as outlined in the report (Paragraph 4.10) be approved.
- 2.12 The approved capital de-minimis expenditure limit of £10,000 (section **Error! Reference source not found.** of the report) be noted; and
- 2.13 The approved revenue surplus in any year of up to £500K that can be allocated to the capital reserve to support capital expenditure be noted.

### **3 BACKGROUND**

#### **3.1 Introduction**

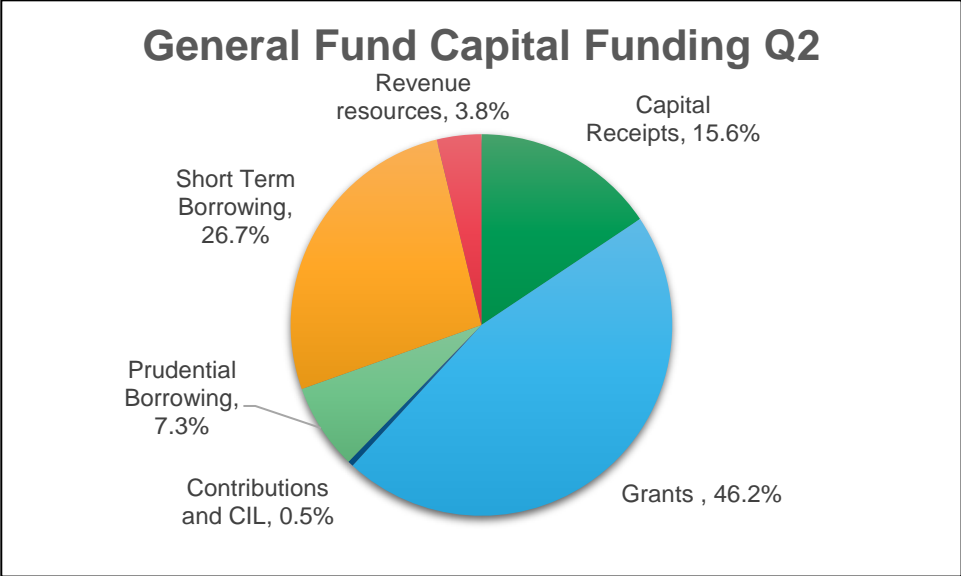
- 3.1.1 The purpose of the Capital Strategy is to outline how the Council determines its priorities for capital investment and how much it can afford to borrow as well as setting out any associated risks.
- 3.1.2 The framework the government uses to control how much councils can afford to spend on capital investment is known as the Prudential Framework. The objectives of the Prudential Code, which sets out how this framework is to be applied, are to ensure that local authorities' capital investment plans are:
  - affordable, prudent, and sustainable and that:
  - treasury management decisions are taken in accordance with good professional practice;

- local strategic planning, asset management planning and proper option appraisal are supported.
- 3.1.3 The Government issued guidance on the disclosures required in the Capital Strategy from 1 April 2018 onwards which includes:
- an Investment Strategy;
  - disclosure of other investments and their contribution to service delivery objectives and/or place making role;
  - indicators that allow Members and the public to assess a local authority's total risk exposure as a result of investment decisions, including how these investments have been funded, rate of return and additional debt servicing costs taken on;
  - the approach to assessing the risk of losses being made before entering and whilst holding an investment; and
  - the steps taken to ensure that elected Members and Statutory officers have the appropriate skills and governance.
- 3.1.4 Some of these disclosures may be outlined in the Treasury Management Strategy instead of the Capital Strategy.

## **3.2 General Fund Investment Strategy**

- 3.2.1 For a number of years capital spend has been prioritised due to the limited availability of capital receipts and the Council's ability to afford borrowing costs. Accordingly, the council applied a 'fix on fail' approach to assets with no significant asset improvements being funded, with the exception of those supported through external funding or partially through external funding (for example Garage Improvement Programme). This approach cannot be sustained in the medium to long term as it will lead to a gradual degradation of the Council's assets with reactive works only being undertaken to keep sites wind and water tight. Sustaining such an approach in the medium term will inevitably lead to close of buildings even before consideration is given to the legal requirements in terms of Energy Performance Certificate (EPC's) and other legal and climate change requirements.
- 3.2.2 To address the issues above, The General Fund Capital Strategy Overview - Priorities versus Funding Requirement 2023/24-2029/30 report to Executive 15 November 2023 set out the Council's key capital regeneration and community asset ambitions and key land and asset disposals, to determine a funding strategy to meet Corporate objectives and address the issues outlined above.
- 3.2.3 The following priority schemes / activities require a funding strategy:
- Regeneration SG1- Public Sector Hub, Leisure Centre and Theatre
  - Climate Change - green fleet, buildings (operational, community and commercial)
  - Towns fund programme where match funding is required
  - Operational need investment in Community Assets
  - Response to Legislative changes e.g. waste and recycling
  - Protection of key income streams to ensure the financial resilience of the General Fund

- 3.2.4 The high level assessment in the report of potential value of capital receipts that could be realised by SBC is £44Million which is significantly less than the need identified of £127Million. This means that even if all approved receipts were delivered there will still be a requirement to find alternative funding strategies or third-party funding to meet the gap. The total high level investment requirement and total receipt realisation are currently excluded from the Capital Strategy but will come forward in future reiterations of the programme.
- 3.2.5 The limited funding available compared to the identified current need means that in the main priority schemes will need to provide a significant element of self-funding through providing land development opportunities.
- 3.2.6 The current years capital programme (approved February 2024 and as subsequently amended through the quarterly monitoring and supplementary reports), is fully funded, and shown in the chart below which reflects the quarter two monitoring report to the November 2024 Cabinet.



- 3.2.7 Grants includes £27.5Million Towns Fund Grant from an overall allocation of £37.5Million which is fully allocated to specific regeneration projects. Funding is received in stages as relevant projects proceed.
- 3.2.8 Short term borrowing is used to bridge funding gaps and is generally “repaid” from capital receipts in the following years.
- 3.2.9 Prudential Borrowing remains an option to fund capital schemes. Due to the on-going net cost to the General Fund, any such proposal requires a business case to be completed to determine affordability and benefit to the Council. This approach may be used to fund income generating schemes which support the Councils Priorities.

**3.3 Housing Revenue Account (HRA) Investment Strategy**

- 3.3.1 The HRA is a legally ring-fenced account and the HRA Medium Term Financial Strategy (MTFS), approved by Cabinet on 13 November 2024, covers both

revenue and capital expenditure as they are intrinsically linked – capital investment supporting the provision of services over the course of the plan. Further details can be found in the Housing Revenue Account (HRA) – Final Budget and Rent Setting 2025/26 which can be found elsewhere on this agenda.

- 3.3.2 Funding for HRA capital projects comes from a variety of sources and preference is given to using restricted or third part funding ahead of more flexible funding, to ensure that funding conditions are met and optimised. These include right to buy receipts, S20 receipts, grants and developer contributions.

### 3.4 Budget and Policy Framework

- 3.4.1 The process for approving capital budgets is set out in the Budget and Policy Framework in the Constitution. This includes a consultation period and the timescale required to implement this is outlined below:

Table 1		
Date	Meeting	Report
Jan-25	Cabinet	Draft 2024/25 - 2028/29 Capital Strategy (GF and HRA)
	Overview and Scrutiny	Draft 2024/25 - 2028/29 Capital Strategy (GF and HRA)
Feb-25	Cabinet	Final 2024/25 – 2028/29 Capital Strategy (GF and HRA)
	Overview and Scrutiny	Final 2024/25 – 2028/29 Capital Strategy (GF and HRA)
Feb-25	Special Council	Final 2024/25 – 2028/29 Capital Strategy (GF and HRA)

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

### 4.1 Capital Programme – General Fund

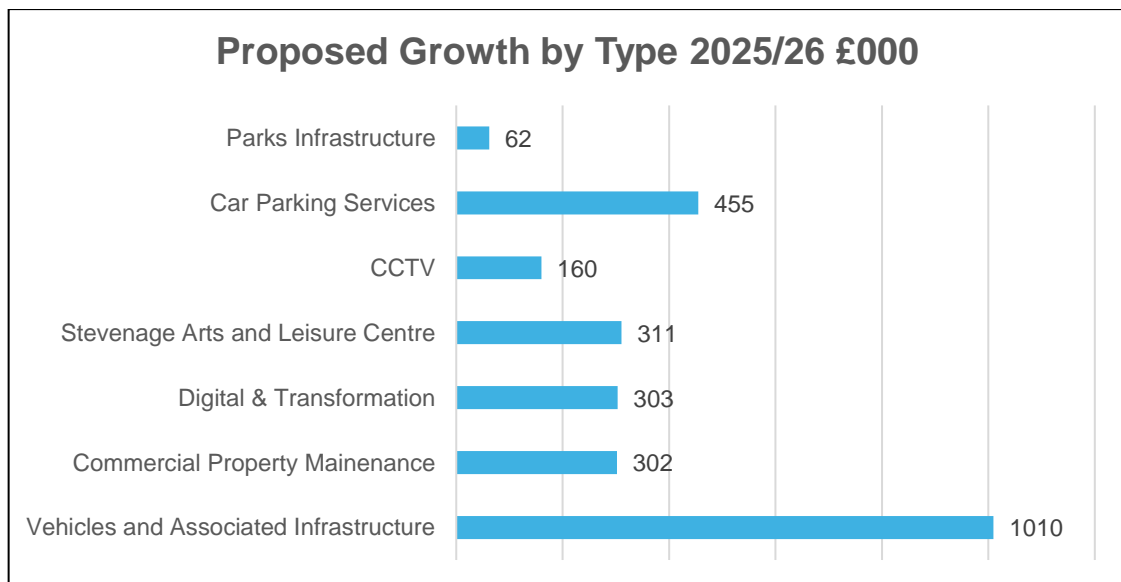
- 4.1.1. The ongoing financial pressures as set out section 3 of this report resulted in only the most urgent bids or those supporting the delivery of a top priority being included in the list of capital growth for consideration by members.
- 4.1.2. Budgets in the Capital Strategy are reviewed quarterly to ensure that they remain relevant and deliverable. No significant changes to the phasing of the existing Capital Strategy presented to members at Q2 are expected at the time of drafting this report.

### 4.2. Proposed Capital Bids 2025/26

- 4.2.1. The capital growth bids received and recommended for inclusion in the Capital Strategy (subject to review and funding) by Council's Financial Security Group (CFSG) and the Council's Senior Leadership (SLT) have been prioritised, as set out in the table and are detailed in Appendix A. These bids total £2.6Million for 2025/26. Bids for future years will be considered as part of the 2026/27 budget setting process.

<b>Table 2 Proposed General Fund Growth 2025/26</b>		
		<b>£000</b>
Priority 2	Income generating	10
Priority 3	Mandatory requirements (including Health & Safety)	449
Priority 4	Schemes to maintain operational efficiency	2,131
Priority 8	Schemes that further the Council's Corporate Plans	12
<b>Total General Fund Capital Growth Bids</b>		<b>2,602</b>
<b>Funding Proposal</b>		
General Capital Receipts		1,124
Locality Review Receipts		854
Forum Receipts to Fund Proposed Growth Items		455
Capital Reserve		169
<b>Total Funding Proposed</b>		<b>2,602</b>

4.2.2. The proposed growth can be split into four types as illustrated in the graph below and the detail of the individual bids are summarised in Appendix A.



4.2.3. Two bids received for 2025/26 were considered to be urgent and members are requested to approve the virement of £40,000 from the deferred works reserve to fund the bids below in 2024/25. These are not included above. The balance remaining in the deferred works reserve will be £387,222 after the virement is processed.

- Ridlins Boilers £25,000 – The boilers failed last winter and resulted in no heating and loss of bookings. Replacement parts are no longer available and a re-fit is required to maintain site operation. New boilers will be more energy efficient and significantly reduce the carbon footprint of the site.
  - Ridlins Hot Water System £15,000 - The hot water system is too large for the facility and hot water storage is massively oversized. By removing the water storage and replacing with plate heat exchangers the system becomes much more energy efficient.
- 4.2.4. Total funding identified for future years capital growth amounted to £2.884Million. The proposed bids for consideration above amount to £2.602Million. Members are asked to approve an increase in the deferred works reserve budget in 2025/26 of £282K reflecting this excess funding, to add capacity to the capital program in case any deferred bids become urgent.
- 4.2.5. The inclusion of the uplift in the deferred works budget lifts the proposed growth bids for 2025/26 to £2.9Million (fully funded).

### 4.3. Revised Summary Capital Programme 2024/25 – 2026/27 including Proposed Growth

- 4.3.1. The revised Capital Strategy for 2024/25 - 2026/27 totals £65.5Million which includes the proposed growth bids of £2.9Million. This is summarised by service in the table below, and in detail in Appendix C.

<b>Table 3: Revised Capital Programme including proposed growth by Service</b>				
	<b>24/25 £000</b>	<b>25/26 £000</b>	<b>26/27 £000</b>	<b>Total £000</b>
Stevenage Direct Services	5,067	1,604	0	6,670
Housing Development	1,939	9,653	424	12,016
Finance and Estates	2,737	557	0	3,294
Digital & Transformation	379	303	0	682
Regeneration	13,962	23,640	1,479	39,081
Communities and Neighbourhoods	1,095	492	0	1,587
Planning and Regulatory	953	553	0	1,506
Deferred Works Reserve	387	282	0	669
<b>Total GF Schemes</b>	<b>26,519</b>	<b>37,084</b>	<b>1,904</b>	<b>65,507</b>

- 4.3.2. There are no current capital projects phased for delivery after March 2027. Capital investment will be required over the medium to long term to support service delivery and a review of the high level investment need, will be refreshed in a future capital update. These bids come forward annually for consideration (e.g., Fleet

replacement). The funding of the medium to long term capital strategy is considered in the section 3.2.

4.3.3. The Deferred Works Reserve, after the inclusion of growth above will have a budget of £387K in 2024/25 and a further £282K in 2025/26 giving a total of £669K. This budget is for any health & safety emergency works that may arise after the budgets are agreed at Council in February. An assessment of the level of contingency required and the level of unused Capital Resources will be re-assessed and included in the February 2025 Capital Strategy.

#### 4.4. Capital Resources for the Revised General Fund Capital Strategy, including proposed Growth

4.4.1. The projected resources used to fund the Capital Strategy are summarised in the table below.

<b>Table 6: Revised Capital Programme Resourcing including Proposed Growth</b>					
	<b>24/25 £'000</b>	<b>25/26 £'000</b>	<b>26/27 £'000</b>	<b>Total £'000</b>	<b>Total %</b>
Capital Receipts including Locality Review Receipts	8,037	3,676	0	11,713	18%
Grants and other contributions	9,233	18,807	1,336	29,376	45%
Revenue Reserves	455	0	0	455	1%
Capital Reserve	496	569	424	1,490	2%
CIL	208	98	0	305	<1%
Forum Receipts	0	455	0	455	1%
New Homes Bonus CNM	243	0	0	243	<1%
Borrowing	7,847	13,479	143	21,470	33%
<b>TOTAL</b>	<b>26,519</b>	<b>37,084</b>	<b>1,904</b>	<b>65,507</b>	<b>100%</b>

4.4.2. The total borrowing recommended of £21.5Million includes £18.3Million of short term borrowing for SG1 Joint Venture and Housing Development schemes which is scheduled to be repaid in 2026/27 using capital receipts profiled to be received in that year. The remaining balance is prudential borrowing for Garage Improvements and Housing Development schemes including through the Wholly Owned Company (WOC). The borrowing is repaid through a minimum revenue contribution (MRP) from the General Fund (see also section 4.7).

4.4.3. The use of capital receipts is dependent on delivery of the disposal sites to the market. Assuming that all the General Fund Growth Bids in Appendix A are approved. The forecast below includes both General Capital Receipts and Locality Review Receipts as they are available for use in the Capital Programme. Ring-fenced Town Centre Transformation and SG1 receipts are restricted.



## 4.5. Capital Receipts Review Update

- 4.5.1. The current position is detailed below and shows an overall reduction in forecast receipts up to 2026/27 of £216K. This is due to a delay in the sale of a site pending further strategic review. The current and future economic climate impacts on asset sales. Forecasts are based on best information available at the time the report is written.

<b>Table 5: Capital Receipts</b>	<b>Previous Forecast, £000</b>	<b>Revised Forecast/Actual, £000</b>	<b>Variance, £000</b>
<b>Capital Receipts (exclude Locality)</b>			
Year 2024/25 Forecast	6,976	7,060	84
Year 2025/26 Forecast	1,450	1,450	0
Year 2026/27 Forecast	12,240	12,240	0
<b>Total Capital Receipts (exclude Locality)</b>	<b>20,666</b>	<b>20,750</b>	<b>84</b>
<b>Locality Receipts</b>			
Year 2024/25 Forecast	1,215	915	(300)
Year 2025/26 Forecast	245	245	0
<b>Total Locality Receipts total</b>	<b>1,460</b>	<b>1,160</b>	<b>(300)</b>
<b>Grant Total Capital Receipts</b>	<b>22,126</b>	<b>21,910</b>	<b>(216)</b>
Sales Costs 4%	(624)	(612)	12
Contingency adjustment	(725)	(745)	0
<b>Total Net Receipts</b>	<b>20,777</b>	<b>20,553</b>	<b>(224)</b>

- 4.5.2. A localities receipts report to Cabinet is due in the first quarter of 2025 giving members an updated position regarding projects included in this specific capital receipts stream.

## 4.6. Community Infrastructure and S106 Update

- 4.6.1. The Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008. The Council started charging CIL in April 2020 and the current unallocated balance is £1.320Million including £0.104Million for local projects and £1.216Million for strategic council priorities. Local CIL of £97.5K per annum for three years from 2023/24 to 2025/26 is being used to fund the Community Climate Change budget. This is a member led strategy and wards can use £7.5K per ward per annum to fund relevant projects.
- 4.6.2. Public consultation on changes to the charging mechanism for CIL can be found elsewhere on this agenda.
- 4.6.3. Strategic CIL can be used to fund town centre infrastructure projects including those identified above. Members are asked to approve the allocation of up to £5Million of CIL to the Council's top priorities as set out in the The General Fund Capital Strategy Overview - Priorities versus Funding Requirement 2023/24-

2029/30 report to Executive 15 November 2023. For: firstly, the sports and leisure hub and secondly, (if applicable) the public sector hub.

- 4.6.4. Others allocation of funds to relevant capital projects may be brought forward for approval later in the year- and require Cabinet approval above £75K.
- 4.6.5. Section 106 (S106) monies that have yet to be allocated to any current or future capital schemes are shown in the table below along with the categories they can be used for:

<b>Table 6: S106 contribution Available</b>	<b>Amount £000</b>
Stevenage Works	16
Biodiversity	90
Environmental	227
Engineering	33
<b>Total</b>	<b>366</b>

#### **4.7. Minimum Revenue Provision (MRP)**

4.7.1. MRP is applied where the council has to set aside a revenue allocation for provision of debt repayments (borrowing in the capital programme). MRP replaces other capital charges (e.g., depreciation) in the statement of accounts and has an impact on the council's bottom line. MRP will increase and decrease throughout the programme and is sensitive to both expenditure and funding changes. The council will continue to balance the use of capital receipts, internal borrowing and external borrowing to ensure the most efficient use of resources, including the need to fund MRP.

4.7.2. The other main risks to the capital programme are:

- Potential for scheme overspends.
- Potential for delay in realising capital receipts noting that £9.7Million of land/asset sales are forecast to be achieved in 2024/25 and 2025/26.
- The deferred works budget may not be sufficient to fund any schemes not currently funded in the Strategy due to the ongoing and aforementioned fix-on-fail policy approach.
- Potential for money spent as capital on Towns Fund projects to revert to a future revenue liability if projects do not progress to physical completion, e.g., only feasibility and early design are completed.
- Cost volatility and increased client risk in construction projects due to the impact of cost of living, which has resulted in supply chain pressures and significant price increases across the construction sector.

#### **4.8. Other capital investment and Finance Lease**

- 4.8.1. The Garages Asset Management Strategy can be found elsewhere on this agenda. If approved by Cabinet, the capital costs and funding outlined in the report will be included in the Final Capital Strategy 2024/25 to 2029/30 report.
- 4.8.2. The Council has consulted on moving the indoor market to Park Place and the re-letting the existing space. The works are estimated to cost a total of £4.1Million, funded by £2Million of town fund grant, agreed by Stevenage Development Board and a further £2.1Million of prudential borrowing to be funded from rental income once a tenant is secured (expenditure will be incurred once the tenant is contracted). Members are asked to approve that the budget be added to the capital programme in 2025/26.
- 4.8.3. Capital costs relating to the fitting out of accommodation at Park Place in Stevenage where the indoor market will be relocated are currently being negotiated. The most recent estimate is between £1.6Million and £1.7Million including costs relating to the safe management of food within the space. Spend is expected to fall into 2024/25 and 2025/26. Funding will come from Towns Fund - £600K, Capital Receipts £378K, short-term borrowing and existing capital budgets. Members are asked to approve the addition of £1.7Million to the capital programme in 2024/25 for this project.
- 4.8.4. Ongoing discussions have been taking place with Homes England regarding grant funding for the new community infrastructure at The Oval development, which achieved Planning in July 2024. A final decision on funding is expected in January 2025, with the current proposal being that the £9Million provision made within the GF capital budget to complete these works being fully funded by Homes England grant. A subsequent report will be taken to Cabinet following the outcome of the grant request to appoint contractors to make any required amendments to the budget and any appointments to deliver the works at the site. Any funding allocation would be time limited with spend needing to be completed by March 2026.
- 4.8.5. The Council purchased several properties in the town centre to enable it to meet its SG1 regeneration aims. These properties were purchased in part using LEP funding. These properties have been purchased for regeneration purposes and therefore do not fall under the Property Investment Strategy. Prior to making these strategic acquisitions full risk assessments were undertaken to ensure the cost of carrying these assets in the short to medium term could be met by the Council. The Regeneration Asset allocated reserve has been setup specifically to cover these costs.
- 4.8.6. The Council undertook a long-term finance lease for a circa £50Million mixed development scheme on Queensway in the town centre. This is a lease arrangement and falls outside the scope of capital investment. Prior to the decision to proceed being made a risk assessment was undertaken and presented to Members. Key Officers were given training on their roles and responsibilities for the new governance arrangements associated with the Limited Liability Partnership.
- 4.8.7. External legal, financial, and commercial advice is procured to ensure the validity and viability of business cases presented to Members.
- 4.9. Capital Programme - Housing Revenue Account (2024/25-2028/29)**

- 4.9.1. The 2024/25 HRA Medium Term Financial Strategy (including capital programme) was approved by Cabinet on 13 November 2024.
- 4.9.2. The new plan allows for total investment of £249Million (down from £262Million) from 2023/24 to 2028/29, with the majority of this invested in existing (54%) and new housing stock (46%). It is important that the Council continues to balance ongoing investment with the need to replace RTB sales, in order meet housing demand and ensure the financial stability of the HRA in the longer term.
- 4.9.3. The Housing Revenue Account (HRA) – Final Budget and Rent Setting 2025/26 – can be found elsewhere on this agenda. Any changes to the programme and funding in that report, will be updated in the final Capital Strategy to the Cabinet in February.
- 4.9.4. The revised summary draft capital strategy budget for 2024/25 – 2028/29 totals £212Million and is set out in full in Appendix B (HRA Capital Strategy).

<b>Table 7: Revised Summary HRA Capital Strategy</b>						
	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Housing Investment	24,431	23,408	19,993	21,519	21,543	110,895
Special Projects & Equipment	36	0	0	0	0	36
New Build (Housing Development)	6,906	27,751	37,057	18,771	8,400	98,885
Digital & Transformation	289	194	199	740	764	2,186
<b>Total HRA Schemes</b>	<b>31,662</b>	<b>51,353</b>	<b>57,249</b>	<b>41,030</b>	<b>30,707</b>	<b>212,002</b>

#### **4.10. Capital Programme – HRA Resources (2024/25-2025/26)**

- 4.10.1. Capital works on the housing stock is projected to be in line with the current year budget and the projected spend on new schemes is in line with the development programme included in the Medium-Term Financial Strategy.
- 4.10.2. Significant revenue pressures in the HRA may result in changes to the HRA business plan being brought to Cabinet for approval in 2025/26. Changes relating to capital funding will be reflecting in the strategy once approved.
- 4.10.3. The table below shows the funding sources for the programme. Most of the work to existing homes continues to be financed from the Major Repairs Reserve (MRR) (funded from depreciation charges to the HRA) and the new build costs from loans and receipts.

<b>Table 8: Revised HRA Capital Programme</b>						
	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>	<b>28/29</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
MRR (Self Financing Depreciation)	18,671	13,138	13,532	13,938	14,356	73,636
(RTB) new Build provision	5,760	9,678	3,854	3,983	4,115	27,389
Debt Provision Receipts	429	1,417	1,051	1,077	1,104	5,078
Section 20 Contribution	1,226	2,963	3,262	1,173	805	9,429
Other Receipts	0	1,375	0	0	0	1,375

Grant	1,410	8,446	1,200	4,140	1,000	16,196
Revenue Contribution to Capital	4,167	5,517	3,390	4,439	0	17,513
Borrowing	0	8,819	30,960	12,280	9,327	61,386
<b>TOTAL</b>	<b>31,662</b>	<b>51,353</b>	<b>57,249</b>	<b>41,030</b>	<b>30,707</b>	<b>212,002</b>

#### **4.11. Changes to Right to Buy Capital Receipts**

- 4.11.1. On the 30 October, the Chancellor of the Exchequer delivered an Autumn Budget Statement containing changes and measures that will impact the HRA and the forecasts made in this MTFS report. The Government stated before the budget announcement that they intended to reduce the council homes sold under the scheme and they would be looking at discount levels to help achieve this reduction. They also confirmed that councils will no longer be required to return a proportion of the capital receipt generated by a RTB sale to HM Treasury. Nationally this totalled £183Million a year and will increase capital receipts over the MTFS by £3.5Milion.
- 4.11.2. The impact on General Fund capital receipts relating to Right to Buy retained receipts is yet to be fully determined.
- 4.11.3. In 2023/24, 20 properties were sold through Right to Buy and so far this year 16 properties have been sold from 180 applications received. Historically between 30% and 50% of applications do not proceed to sale.
- 4.11.4. More detail on this and further impacts relating to the Autumn budget can be found in the Housing Revenue Account (HRA) – Final Budget and Rent Setting 2025/26 – elsewhere on this agenda.

#### **4.12. De Minimis Level for Capital Expenditure 2025/26**

- 4.12.1. Accounting best practice recommends that the Council approves a de minimis level for capital expenditure, or a value below which the expenditure would not be treated as capital. This would mean that the expenditure would not be recorded on the asset register nor be funded from capital resources.
- 4.12.2. No change to the de-minimis expenditure limit of £10,000 per scheme is being proposed this year.

#### **4.13. Contingency Allowance for 2024/25**

- 4.13.1. The contingency allowance for 2024/25 is £250,000. The contingency proposed for 2025/26 remains at £250,000, for schemes requiring funding from existing capital resources. A limit of £250,000 is also set for schemes for each Fund that have new resources or match funded resources identified in addition to those contained within this report. This limit applies individually to both the General Fund and the HRA. This contingency sum constitutes an upper limit on both funds within which the Cabinet can approve supplementary estimates, rather than forming part of the Council's Budget Requirement for the year.
- 4.13.2. The contingency allowance for 2024/25 is £500,000 in relation to spend of restricted use or 1.4.1 receipts for registered providers to ensure that the Council achieves nominal rights and does not have to return 1.4.1 receipts to the government. This contingency allowance is a recommended to remain at £500,000 for 2025/26.

4.13.3. Separate to the contingency allowance, is the delegation to Cabinet or Portfolio Lead/Leader of the Council to approve increases to the capital programme for grant funded projects, when external funding sources have been secured. Officers propose that this contingency allowance remains at £5Million where a scheme is fully funded from third party contribution/grant.

**4.14. Consultation**

**Council Financial Security Group (CFSG) 19 November 2024**

4.14.1. Following a review of all growth bids by Senior Leadership Team (SLT), a priority list was presented to CFSG with 24 new Growth Bids for 2025/26 (these are shown in Appendix A). The scoring rationale applied to these budgets was “do not support” 0 point, “support but low priority” 1 point and support with high priority” 3 points.

4.14.2. There were six members who were asked to score, with schemes receiving a mixed score between 7 and (the maximum) 18. The table below shows the summary of scores received.

Scheme receiving:	Number of schemes
18 points (or 100%)	9
16 points (or 89%)	9
15 points (or 83%)	1
14 points (or 78%)	1
12 points (or 67%)	2
11 points (or 61%)	1
7 points (or 39%)	1

4.14.3. As can be seen from the table above, all but one scheme was supported by a majority of members scoring. The lowest scoring scheme, receiving 7 points was £140,000 for Car Parks Resurfacing (39% reflects the scoring aggregate, 4 out of 6 voted in favour but at low priority).

4.14.4. Car Parks resurfacing is being recommended as a bid to members for approval as it is part of an ongoing requirement to ensure the public remains safe when using the car parks.

4.14.5. Cabinet is requested to consider the views of CFSG and agree to approve all 24 schemes (which SLT had supported). These have all been included within the proposed capital programme for 2025/26 (in Appendix B) and are fully funded.

**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. The legal implications for each individual scheme within the capital programme will be considered when approval is sought for that scheme. Each scheme within the capital programme will be approved in accordance with the council's constitution.

### **5.3. Equality and Diversity Implications**

5.3.1. None specifically in relation to this report.

### **5.4. Risk Implications**

5.4.1. The significant risks associated with the capital strategy are 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 the cost-of-living crisis reducing demand and prices lower than anticipated as a result. In order to mitigate the impact of this, revenue underspends of up to £500k may be made available to support capital resource in the short term.

5.4.3. 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.

5.4.4. A significant risk exists that works deferred due to lack of resources and materials. A reasonable assessment has been made in the prioritisation process to try to keep this risk to a minimum.

5.4.5. The impact on the Council's medium - long term capital strategy as a result of the governments English Devolution White Paper (16 December 2024) is currently unknown. Measures include plans for new powers for mayors across strategic planning – giving them the ability to guide infrastructure and development projects across areas, housing, transport and skills. Impacts if any, will be included in future years capital strategy documents.

### **5.5. Climate Change Implications**

5.5.1. In their current form the Council's buildings do not currently support the climate change ambitions in terms of energy efficiency or divestment of use of fossil fuels.

5.5.2. However, there is an opportunity through the local asset review programme to build in design principles to improved / future assets in terms of energy efficiency and sustainable energy sources. This should be a core principle of any future designs arising from the local asset reviews. There would be a further benefit of reduced energy costs.

5.5.3. The climate change agenda is far wider than the buildings the Council uses. For example, the Council is also examining the vehicle fleet and consideration will be given to reducing its carbon impact and the HRA strategy includes significant investment in decarbonisation for the period to 2028/29 – ensuring all homes meet the minimum EPC rating of C.

5.5.4. In addition to existing assts, new buildings being planned as part of the regeneration of Stevenage – e.g., the Hub and new Leisure Centre will be designed and equipped to meet modern standards.

## **BACKGROUND DOCUMENTS**

BD1 Quarter 2 monitoring report (Cabinet, December 2024)

- BD2 HRA MTFIS (2024/25-2028/29) (November 2024 Cabinet)
- BD3 Housing Revenue Account (HRA) – Final Budget and Rent Setting 2025/26 – elsewhere on this agenda.
- BD4 General Fund Capital Strategy Overview – Priorities Versus Funding Requirement 2023/24-2029/30 (November 2023 Executive)

**Appendices**

- A - General Fund Capital Bids for consideration
- B - HRA Capital Strategy
- C - General Fund Capital Strategy