



**BRENTWOOD
BOROUGH COUNCIL**

Brentwood Borough Council
Capital & Investment Strategy
2021/22 Annual Report

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Capital and Investment Annual Report

Introduction

2021/22 was the year that the country began a roadmap of lockdown easing following the COVID-19 pandemic. Although the country was no longer imposed to any further lockdowns, capital projects have felt an impact from the pandemic this financial year. There is back log that is affecting all nationally. For the Capital Programme some projects start dates have slipped where contractors try and catch up on projects that have been delayed from the previous year. Resourcing has become an issue

Other external factors such as the UK departing from the European Union and the war in Ukraine have impacted the market which has had an external impact on the ability for the Council to deliver its capital programme. The building market has seen an increase in costs of 16.9% in the 12 months to March 2022, which can make some schemes financially unviable to deliver.

The year did see the successful opening of the new King Georges Pavilion the Pavilion had its official open day in March 2022. The new facilities include a fully accessible pavilion building, which has new changing rooms, toilet and showers, golf club lounge, sensory room, changing places facility, new café, indoor soft play, and TAG active, which is an indoor assault course that can be done as an individual or against friends and family. The Splash Pad and outdoor Adventure Play opened in the Spring of 2022 with the warmer weather.

Finally, the Council completed the build of 3 new affordable homes within the HRA, known as Whittington Mews. These properties have been completed at a former garage site at Barnston Way. Whittington Mews consists of three townhouse style properties. Two of these are fully adaptable with ground floor level entry bathrooms. The internal specification is to a high standard with integrated storage and cycle provision and air source heat pumps. Each dwelling has onsite parking provision with electric vehicle charging and landscaping.

Capital Program Outturn

	2020/21 £'000	Actual £'000	Variance £'000
<u>Protecting Our Environment</u>			
Vehicle Replacement Programme	1,544	718	(826)
Low Emissions Infrastructure	138	0	(138)
Cemetery Headstones	8	0	(8)
Open Spaces Infrastructure	100	97	(3)
Cemetery Infrastructure	50	6	(44)
Car Park Improvements	193	0	(193)
Total Protecting Our Environment	2,033	821	(1,212)
<u>Developing Our Communities</u>			
Brentwood Leisure Centre	250	0	(250)
Community Halls	122	24	(98)
Play Area Refurbishments	948	811	(137)
Open Spaces – Car Parks	149	0	(149)
King Georges Redevelopment	6,769	6,261	(508)
Football Hub	791	59	(732)
Section 106 programs	95	95	0
Total Developing Our Communities	9,124	7,250	(1,874)
<u>Improving Housing</u>			
Home Repair Assistance Grant	5	0	(5)
Disabled Facilities Grant	250	342	92
HRA Decent Home Programme	7,528	4,430	(3,098)
Affordable Housing Development	8,585	1,846	(6,739)
Total Improving Housing	16,368	6,618	(9,750)
<u>Delivering an Effective and Efficient Council</u>			
ICT Strategy	55	26	(29)
ICT Hardware	44	30	(14)
ICT Licences	36	17	(19)
Printing Equipment	9	11	2
Strategic Acquisitions	4,650	0	(4,650)
Asset Management	629	406	(223)
Asset Development	288	183	(105)
Financial System Infrastructure	70	19	(51)
Total Delivering an Effective and Efficient Council	5,781	701	(5,080)
Total Capital Programme	33,306	15,390	(17,916)

Capital Program for 2021/22 has been financed by the following:

	2020/21 £'000	Actual £'000	Variance £'000
Total General Capital Programme	17,193	9,114	(8,079)
Total HRA Capital Programme	16,113	6,276	(9,837)
Total Capital Programme	33,306	15,390	(17,916)
Funded By:			
General Fund Capital Receipts	200	147	53
Government Grants	297	342	(45)
Other Government Grants	95	95	0
Borrowing	16,601	8,530	(8,030)
Total General Fund Capital Funding	17,193	9,114	(8,038)
HRA Capital Receipts	2,230	1,069	(1,162)
Major Repairs Reserve	7,528	4,430	(3,098)
HRA Borrowing	6,355	777	(5,578)
Total HRA Capital Funding	16,113	6,276	(9,837)

2021/22 Slippage

Scheme	£'000
Vehicle Fleet Management	826
Cemetery Headstones	8
Low Emissions Infrastructure	138
Cemetery Infrastructure	44
Total Protecting Our Environment	1,016
KGPF Development	508
Football Hub Development	732
Community Halls	98
Leisure Facilities	250
Total Developing Our Communities	1,588
Strategic Housing Development programme - Regeneration	6,739
HRA Decent Homes Programme – Capital Maintenance	3,098
Total Improving Housing	9,837
Asset Management Strategy	223
Asset Development	105
Strategic Acquisitions	4,650
Financial System Infrastructure	51
ICT Strategy	29
ICT Hardware	14
ICT Licences	19
Total Delivering an Effective and Efficient Council	5,091
Total Capital Programme	17,532
Financed By	
HRA Capital Receipts	(2,696)
HRA Borrowing	(7,142)
GF Borrowing	(7,694)
Total Capital Funding	(17,532)

Slippage Requests

The following slippage requests have been requested by services and reviewed by the section 151 Officer. Slippage does not exceed what has previously been approved for specific projects by Ordinary Council.

The reason required for the slippage is detailed below:

Vehicle Fleet Management – Delays in obtaining vehicles in the current market conditions has resulted in vehicle lead times taking longer than expected. Therefore, the slippage is to finance the vehicles that have been purchased but are still awaiting delivery.

Cemetery Headstones – Works had slipped in to 22/23 due to resourcing issues. Very few improvements made in 21/22, so work will take place in 22/23.

Low Emissions Infrastructure – Financial contribution to Essex County Council to support their active travel plans. County have not requested the funding and therefore slippage is required to ensure we can financially commit to this scheme.

Cemetery Infrastructure – Works had slipped in to 22/23 due to resourcing issues. Very few improvements made in 21/22, so work will take place in 22/23.

KGPF Development – The Pavilion was opened and completed this financial year however financial resource is still required to complete the whole site with landscaping and enhancements to the car parking.

Football Hub Development – Ongoing discussions continue with the Football Foundation to determine the appropriate operating model for the site, once the operating model is resolved the project can progress.

Community Halls – To fund a new boiler and heating system at Hutton poplars Hall. Delays were caused by assessments of the best action to take.

Leisure Facilities – To support improvement works at the Brentwood leisure centre such as the roof. It was not possible to get this completed in 21/22 due to resources, assessments of what was needed and contracting a provider.

Strategic Housing Development Programme – Brookfield Close continues to progress and the conversion of Crescent Road commenced this financial year. The project budgets need realigning to cashflow needs and revised profiling of the programme over the 5-7 year period will be presented during 2022/23.

HRA Decent Homes Programme – The HRA Decent Homes programme as primarily been focused on compliance regarding the housing stock. Projects regarding communal heating commenced in 2021/22 however will not be completed until the following financial year. Delays in specification sign off due to the complexity of balcony renewals and fire risk works resulted in the programme not commencing until the new financial year (2022/23).

Asset Management Strategy – Funds had already been committed for compliance improvements, however works had slipped in to 22/23. Delays have been caused by resourcing issues.

Asset Development – To fund ongoing to developments to Kind Edwards property. Additionally, to support development in the borough.

Strategic Acquisitions – Ensuring the Council has funding available to purchase sites within the borough for the benefit of the borough.

Financial System Infrastructure – Due to external contractors not being able to resource the consultancy support required to upgrade the financial system, the upgrade has been rescheduled to the following financial year.

ICT Strategy – The ICT Strategy, Hardware and Licence slippage will be combined into one total. The delay transpires around deciding on how the organisation should work following the restrictions being eased from the pandemic. There is now an organisation wide project to

support new ways of working as we now live with Covid. the Slippage will support in delivering the technology so the organisation can work agile.

Treasury Management 2021/22

Review of Activities during 2021/22

The year saw the replacement of maturing short-term borrowings with long term PWLB borrowings. The rationale for this switch was to take advantage of the fixed interest rates at historically low levels. This approach will add certainty to the Council's medium term financial strategy and will reduce the risk of maturing short-term borrowing needing to be refinanced at higher interest rates.

Short-term borrowing reduced from £129.5m at the start of the year to £36m at the end of the year, with a corresponding increase in long-term borrowing during the year from £103m to £192m.

Average interest rates during the year were 0.15% for short term borrowings, 1.99% for long-term general fund borrowings and 3.21% for long-term HRA borrowings.

During the year the Council entered into two deferred loan agreements with a market lender, Phoenix Life. Under these agreements, the Council will draw down £25m in August 2023, and a further £20m in June 2024. Both loans are repayable over 40 years at competitive interest rates. Arranging these loans in advance has secured finance for the Council's future capital programme in future years.

There was a modest amount of low-risk investment activity during the year. This involved placing funds in call accounts or in short-term fixed rate investments with UK banks, and with the Debt Management Agency Deposit Facility provided by HM Treasury. The investment balance at the end of the year was £11m, and interest earnings for the year were £0.041m, representing an average rate of return of 0.30%.

The Corporate Director - Finance & Resources confirms that all treasury activity during the year was in accordance with the Treasury Management Strategy for 2021/22:

Prudential and Treasury Indicators.

The following tables set out the Prudential and Treasury Indicators for 2021/22. They show the outturn position for the year, compared to the outturn position for the previous year and the estimate for 2021/22.

Capital expenditure and financing.

The first two tables show the capital expenditure for 2021/22 and how this was financed.

	2020/21 outturn	2021/22 Estimate	2021/22 outturn
	£000	£000	£000
General Fund	121,441	11,140	9,114
HRA	4,396	8,993	6,276
Sub total	125,837	20,133	15,390

	2020/21 outturn	2021/22 Estimate	2021/22 outturn
	£000	£000	£000
Capital receipts	(668)	(400)	(1,214)
Capital grants & contributions	(226)	(250)	(437)
Revenue contributions	(500)	0	0
Major repairs reserve	(2,820)	(6,408)	(4,430)
Internal borrowing	0	0	0
External Borrowing	(121,623)	(13,075)	(9,309)
Total Financing	(125,837)	(20,133)	(15,390)

Capital Financing Requirement (CFR) The CFR is the Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

	2020/21 outturn	2021/22 Estimate	2021/22 outturn
	£000	£000	£000
Total CFR	240,596	250,503	248,715
Gross borrowing position	232,844	233,343	228,019
Under funding of CFR	7,752	17,160	20,696

To ensure that borrowing levels are prudent over the medium term, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total

of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. The Council has complied with this prudential indicator as the gross borrowing position is lower than the CFR.

The Operational Boundary.

This is the level above which borrowing is not expected to rise (occasions where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached).

The Authorised Limit.

This is the “affordable borrowing limit” required by Section 3 of the Local Government Act 2003. This represents a limit beyond which external debt is prohibited. The table below demonstrates that during 2021/22 the Council maintained gross borrowing within this limit.

	2020/21 outturn £000	2021/22 Estimate £000	2021/22 outturn £000
Gross debt	232,844	233,343	228,019
Operational Boundary	229,534	245,000	245,000
Authorised Limit	247,500	293,000	293,000

Actual financing costs as a proportion of net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

	2020/21 outturn	2021/22 Estimate	2021/22 outturn
General Fund	9%	42%	35%
HRA	16%	15%	16%
Commercial activities	-11%	-23%	-13%

Maturity Structure of the fixed rate borrowing portfolio.

The Council sets target upper limits for borrowings that has the same maturity structure in order to minimise its exposure to large amounts of borrowing needing to be refinanced in the same year, potentially at higher interest rates. These are shown in the following table:

	31 March 2021 £000	Proportion of total borrowing	Target upper limit	31 March 2022 £000	Proportion of total borrowing	Target upper limit
> 1 year	129,500	56%	50%	36,000	16%	50%
1-2 years	0	0%	50%	0	0%	50%
2-5 years	0	0%	50%	0	0%	50%
6-10 years	20,400	9%	50%	27,400	12%	50%
10+ years	82,944	36%	100%	164,796	72%	100%
Total	232,844	100%		228,196	100%	

Exposure to Fixed and Variable Rates.

The Council was not exposed to changes in variable interest rates during as all its borrowings were at fixed interest rates. This continues to be the policy in 2021/22.

Credit Risk Exposure.

Credit risk was mitigated during 2021/22 by restricting investments to short term investments and short-term deposits with UK banks and with the Debt Management Agency Deposit Facility.