

Title of Report	SUPPLEMENTARY ESTIMATES, VIREMENTS AND CAPITAL APPROVALS	
Presented by	Councillor Nick Rushton Corporate Portfolio Holder PH Briefed <input checked="" type="checkbox"/>	
Background Papers	Supplementary Estimates, Virements and Capital Approvals – Cabinet 25 June 2024 Social Housing Decarbonisation Fund: Wave 2.2 Cabinet Report April 2024	Public Report: Yes Key Decision: Yes
Financial Implications	Appendix 2 details the supplementary estimates for approval. There is one external funded grant of £132,750 and one internally funded supplementary estimate of £60,000 which is to be funded from the Medium-Term Financial Plan (MTFP) reserve. On 23 April 2024, Cabinet approved receipt of a grant allocation of £2.8m. Following this, the Housing Revenue Account (HRA) Capital Programme's budget for the financial years 2024/25 and 2025/26 was adjusted upwards to incorporate the newly acquired funds. The reduced grant funding will be reflected in future financial monitoring reports to be considered by Cabinet. Signed off by the Section 151 Officer: Yes	
Legal Implications	There are no direct legal implications arising from this report. Signed off by the Monitoring Officer: Yes	
Staffing and Corporate Implications	The staffing implications arising from this report are detailed in the body of the report and the attached appendices. Signed off by the Head of Paid Service: Yes	
Purpose of Report	To seek approval of the supplementary estimates, virements and capital scheme movements.	

Reason for Decision	As required by the Council's Constitution.
Recommendations	<p>THAT CABINET:</p> <ol style="list-style-type: none"> 1. NOTES THE DECISION MADE BY THE HEAD OF SERVICE AND SECTION 151 OFFICER IN RESPECT OF SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2 WHICH ARE BELOW £100K AND ARE EXTERNALLY FUNDED. 2. APPROVES THE SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2 WHICH ARE BETWEEN £100K AND £250K AND ARE EXTERNALLY FUNDED. 3. APPROVES ALL SUPPLEMENTARY ESTIMATES DETAILED ON APPENDIX 2 WHICH ARE BELOW £100K AND COUNCIL FUNDED. 4. APPROVES THE MOVEMENT FROM THE DEVELOPMENT POOL TO THE ACTIVE PROGRAMME FOR THE CAPITAL SCHEMES DETAILED IN TABLE 2. 5. ACCEPTS THE REVISED SOCIAL HOUSING DECARBONISATION FUND GRANT OFFER OF UP TO £1,009,877.52 FROM GOVERNMENT AS DETAILED IN THE REPORT AND DELGATES TO THE STRATEGIC DIRECTOR WITH RESPONSIBILITY FOR HOUSING ALL NECESSARY AGREEMENTS TO RECEIVE THE GRANT IN LINE WITH THE CONSTITUTION.

1.0 INTRODUCTION

- 1.1 This report seeks approval for virements and supplementary estimates as required under the Council's Constitution. This is a regular report to Cabinet to enable the approval of virements and supplementary estimates in a timely manner for the efficient operation of the Council.
- 1.2 The report also seeks approval for the movement of capital schemes from the development pool to the active programme as required in the Council's Capital Strategy approved by Council on 22 February 2024.
- 1.3 The report covers both the General Fund and the Housing Revenue Account.

2.0 SUPPLEMENTARY ESTIMATES

- 2.1 A supplementary estimate is an addition to the Council's agreed budget and should only be considered after all other options such as virements or savings have been considered.
- 2.2 Supplementary estimates include budgets fully funded by external grants or contributions.

- 2.3 Supplementary estimate levels were approved as part of the Constitution by Council in February 2024. These approval levels are detailed in Appendix 1.
- 2.4 All supplementary estimates which will be Council funded require Cabinet approval whereas those fully externally funded are reported to Cabinet below £100k but require approval over £100k. Those above £250k require Council approval.
- 2.5 Appendix 2 details all supplementary estimates grouped by value and funding with details of the reasons for the requests which are summarised in the table below.

Table 1: Supplementary estimates

	General Fund		HRA	
	Revenue	Capital	Revenue	Capital
Externally Funded Between £0 and £99,999 (for info)	7,200	-	-	-
Externally Funded Between £100,000 and £249,999 (For Cabinet Approval)	132,750	-	-	-
Externally Funded Over £250,000 (Requires Council Approval)	-	-	-	-
Total Externally Funded	139,950	-	-	-
Council Funded Between £0 and £249,999 (For Cabinet Approval)	60,000	-	-	-
Total Council Funded	60,000	-	-	-
Total Supplementary Estimates	199,950	-	-	-

3.0 VIREMENTS

- 3.1 A virement is where one or more budget(s) are reduced to fund an increase in another budget(s). There is no net change in the total budget agreed by Council arising from a virement.
- 3.2 Virement approval levels were approved as part of the Constitution by Council in February 2024. These approval levels are detailed in Appendix 1.
- 3.3 There has been no virement requests during the first four months of the year that require approval by either Cabinet (over £100k) or Council (over £250k).

4.0 CHANGES TO THE CAPITAL PROGRAMME

- 4.1 Schemes in the capital programme are grouped under two categories and these are:
 - Development Pool: These are schemes not yet fully costed or funding sources identified. A full business case is required to be prepared and presented to the Capital Strategy Group for consideration before the scheme can go ahead.
 - Active Programme: Schemes in this category have been approved (by Capital Strategy Group, Cabinet or Council), fully funded and are being delivered.
- 4.2 Table 2 below provides details of schemes for Cabinet approval to move from the development pool to the active projects.

Table 2: Capital Scheme Movements

Scheme	Fund	Budget £	Reason for Movement
Existing Schemes - movement from Development Pool to Active Programme			
New Build	HRA	300,000	See paragraph 4.3
		300,000	

- 4.3 At the Cabinet meeting of 22 July 2024 an agreement for various Housing Revenue Account (HRA) home purchases were agreed. An error has been identified between the recommendation and the financial implications of that decision. The recommendation agreed £1.8m of funding whereas the financial implications sections requested £2.1m. The implications section was correct and the above change to the capital programme corrects this error to the intended recommendation. Since the July decision, government has also enabled 100% funding via Right to Buy receipts for these types of transactions. Therefore, the Council's Section 151 Officer will seek to maximise this change regarding this purchase.

5.0 SOCIAL HOUSING DECARBONISATION FUND UPDATE

- 5.1 At its meeting on 23 April 2024, Cabinet agreed to accept a Social Housing Decarbonisation Fund (SHDF) grant of up to £2.8m from the Government. The Government has committed £3.8bn of funding over a 10-year period as part of its pathway to Net Zero 2050. The grant offers up to 50% match funding to improve the Energy Performance Certificate (EPC) ratings of the Council's Council homes by a fabric first approach.
- 5.2 At the Council meeting on 7 May 2024, approval was given for an increased budget for the Housing Revenue Account (HRA) Capital Programme. This increase was specifically allocated to zero carbon projects. The original budget of £2.5m, approved by Council on 22 February 2024, was amended to match the £2.8m grant offer. This adjustment ensured that for the financial years 2024/25 and 2025/26 the capital programme for HRA zero carbon projects was funded.
- 5.3 Since Cabinet approved the acceptance of the grant in April 2024, the Government has carried out due diligence as part of its grant approvals process in relation to deliverability during the required time period. Following that process, the Government department has recalculated the grant and offered a revised amount of £1.01m. The following sections set out the reasons and a recommendation that the revised SHDF grant offer of up to £1,009,977.42 from Government is accepted seeks Cabinet's approval.

SHDF Bid

- 5.4 The initial grant application was based on an earlier programme of SHDF funding for a longer spend period, and a slightly different criterion (known as Wave 2.1). The Council's grant application was unsuccessful at that time.
- 5.5 The same grant application was then resubmitted at the point at which the second programme was introduced (known as Wave2.2) to ensure that the Council had provided a bid for every opportunity available to help support the Council's Zero Carbon ambitions. Due to the relevant timeframes for submissions, there was insufficient capacity available in the housing service at the time to revise the bid, which is why the same application was submitted. The Council made the Government

aware of this approach at the time of submission and a grant was initially awarded to the Council on this basis.

- 5.6 Following Cabinet approving the acceptance of the grant and the acceptance paperwork being returned to Government, the grant offer has gone through a process of final assessment and moderation as is normal practice in grant application processes by Government. This resetting of the baseline process has updated the contents of the bid, (for example by updating on works completed it was originally drafted in 2022/23) and adjusted it to reflect the remaining time available to spend the grant (by 31 March 25). The bid has also been updated to match the criteria for this bidding round (known as Wave 2.2). This has resulted in the Council's grant offer now being updated to up to £1,009,877.52. This was notified to the Council in late July and has been delayed by the change of government during this process, and the availability of key staff in the government department.
- 5.7 Due to this change, this report seeks Cabinet agreement to accept the revised grant offer.

Management and Monitoring

- 5.8 As per the Cabinet report of April this year, the grant funding is a single year allocation and must be spent by 31 March 2025 (although the programme runs for two years enabling the Council's match funding to run up to 31 March 2026). The grant operates on the basis that claims are submitted in arrears i.e. the Council must provide evidence of eligible expenditure to support claims. The scheme is governed by significant guidance which can be found using the link in the background papers section of the report header.
- 5.9 The Council is in the process of making arrangements to accept the grant and to comply with government-imposed timelines it has already submitted the required acceptance paperwork in draft form. However, the grant will not be formally accepted until Cabinet has approved the acceptance of the grant in accordance with the recommendations. The deadline to respond to this was 16 August 2024, however, officers have sought a short extension to this to enable Cabinet to consider this report. The required due diligence has been completed by the legal and finance teams in order to accept the grant.
- 5.10 Reporting will be through financial monitoring reports already scheduled to be presented to future Cabinet and Corporate Scrutiny Meetings.

Financial Implications

- 5.11 At the Council meeting on 7 May 2024, approval was given to the HRA capital programme to fully match the initial notification level of the grant. As such the HRA is sufficiently funded to enable the conditions of the grant to be fulfilled.
- 5.12 The HRA capital programme does not need to be revised. Progress against the programme will be reported through financial monitoring reports to Cabinet. The grant will be used on a substitution basis, replacing planned HRA spend where it can, to enable this to be spent in future years. This has the effect of extending the Carbon Zero element of the programme. No HRA capital funding will be lost and this will be recycled into future years planned asset works.

Policies and other considerations, as appropriate	
Council Priorities:	<ul style="list-style-type: none"> - A Well Run Council - Communities and Housing - Clean, Green and Zero Carbon
Policy Considerations:	The Council's Financial Procedure Rules, sections A24 – A28, set out the details of the virement and supplementary estimates, as shown at Appendix One of this report.
Safeguarding:	N/A at this strategic level – however individual works will comply with normal processes in this regard
Equalities/Diversity:	N/A at this strategic level – however individual works will comply with normal processes in this regard
Customer Impact:	Works of the type covered by this funding can be disruptive for tenants. The Housing Service will work with its engagement teams to seek to both communicate clearly on planned works and the longer-term benefits of the works being completed for the tenants.
Economic and Social Impact:	N/A
Environment, Climate Change and Zero Carbon:	The programme of works will improve the EPC rating and therefore efficiency of Council homes where works are undertaken. This will assist in both warmer homes, and reduction in running costs as well as contributing to the Council's 2050 carbon targets.
Consultation/Community/Tenant Engagement:	See Customer Impact above.
Risks:	There are Risks to any project – the main ones impacting on these works are: - Inability to deliver on the basis of supplier, contractor or other resource constraints. - Tenant resistance to works being undertaken - Non-compliance with grant conditions. A full risk assessment is in place as part of the grant process
Officer Contact	Anna Crouch Head of Finance Anna.Crouch@nwleicestershire.gov.uk