

Cabinet

03 December 2020



Title	Capital Monitoring Report		
Purpose of the report	To make a recommendation to Council		
Report Author	Grantley Miles (Interim Chief Accountant)		
Cabinet Member	Councillor Sati Buttar	Confidential	No
Corporate Priority	Financial Sustainability		
Recommendations	Cabinet to note the current level of spend in 2020/21. Cabinet recommends to Council the approval of a Supplementary Capital Estimate of £40,000 for a replacement minibus to be funded from Revenue Reserves. Cabinet recommends that the amount shown of £15,730,000 is allocated by Virement from Future Development Projects to the Development Projects in 2020/21.		
Reason for Recommendation	Not applicable		

1. Capital Programme 2020-2025 and monitoring of Capital Expenditure to date and estimated Capital Outturn.

- 1.1 The Council's multi year Capital Programme covers a 5 year period (2020-25). The sources of funding to fund capital expenditure in the Capital Programme are principally; capital borrowing, capital grants, Section 106 receipts, Asset Sales (Capital Receipts), .Community Infrastructure Levy and funding from the Revenue Budget.
- 1.2 In order to provide some context to monitoring, the detail of the Council's current approved Capital Programme, is attached as Appendix A.
- 1.3 A high level summary of the financing of the Council's approved Capital Programme is attached at Appendix B, with a detailed scheme by scheme funding statement at Appendix C. This identifies how each scheme within Capital Programme is financed and a cumulative monitoring summary Appendix D.
- 1.4 In relation to Appendix A, Members should note that items in shown as Supplementary/Virement in 2020/21 relate to a Virement of £65,000 agreed

the last meeting of Cabinet. It also includes the detailed allocation of monies of £15.730m, shown as 'Future Development Projects' previously redacted for commercial reasons, as a virement to individual projects and a Supplementary Estimate of £40,000 discussed below in Para 1.11.

- 1.5 There are revenue consequences for the Revenue Budget in relation to capital borrowing. Financing schemes from borrowing to finance capital schemes incurs interest on the relevant loan, and the requirement to set aside money from the Revenue Budget for debt repayment (Minimum Revenue Provision). Other sources of funding do not have ongoing consequences for the Revenue Budget but the availability of these sources are limited. Therefore capital borrowing is the main source for funding capital expenditure, as other sources used by Councils are limited.
- 1.6 It should be noted that a number of the capital schemes in the Programme e funded by borrowing will deliver an income stream e.g Housing and Regeneration schemes which will generate an income stream which will mitigate the borrowing costs incurred by the Council, for example with Knowle Green Estates making loan repayments which will cover or more than cover the Council's financing costs on individual housing schemes.. Appendix B & C demonstrate the prudential capital borrowing is the main source of funding for the Capital Programme. Any prudential borrowing needs to be affordable and sustainable. The 2020-25 Capital Programme will be reviewed during the budget process and any new Capital Bids will be considered for inclusion as part of the 2021/22 budget process.
- 1.7 Members should note that a detailed summary of the Development Projects which have been redacted are included as an exempt Appendix G, only 2020/21 has been unredacted.

The Council considers when setting its Capital Strategy, Treasury Management Strategy the Annual Borrowing Limits. and provides information via Prudential Indicators to Members which show that borrowing is prudent. These prudential indicators are reported to and approved by Members as part of the annual budget process. Future income streams arising from the Capital Projects e.g rental income is taken account in the calculation. The level of prudential borrowing and will next be considered as part of the 2021/22 budget process..

- 1.8 The main focus of this report is the monitoring of budgeted capital expenditure in 2020/21. Appendices E & F detail expenditure to date on capital schemes covering the period April to September 2020. Appendix E summarises the capital schemes by portfolio. Appendix F provides more details in for each capital scheme, together with comments on progress. Where schemes are not completed on time, it is possible to request carry forward underspends and this process takes place in July when the Capital Outturn and capital slippage is approved by Cabinet.

- 1.9 For the period ending September 2020, the approved 2020/21 Capital Budget including brought forward slippage is £143.0m. Actual capital expenditure including commitments to the end of September is £22.5m, with a projected outturn of £32.7m at the end of the year leading to an forecast underspend of £110.3m.
- 1.10 It should be noted that Covid-19 has impacted on the overall progress of capital schemes in 2020/21 and has caused delays in the procurement of contractors and supplies. It is anticipated that key planning and economic development schemes will be further delayed due to the impact of Covid-19 upon Planning Committee meetings. It is likely delays in obtaining approval for planning decisions will occur and this will make it difficult for some schemes to progress in line with the budget.
- 1.11 The report also proposes that Cabinet recommends to Council that a Supplementary Estimate is approved of £40,000 to add an additional scheme to the Capital Programme in respect of a Fordbridge Minibus. The replacement minibus is needed for OPAL group as there is excessive wear and tear on the existing minibus. It is proposed to fund this from the Revenue Budget via a Revenue Contribution to Capital.
- 1.12 **Councillor Attewell – Community Wellbeing and Housing**
An overspend of £30k is projected at year end. This relates to a late invoice received in 2020/21 in respect of Home Improvements for 2019/20, which was higher than expected.
- 1.13 **Councillor Barratt – Compliance, Risk and Waste**
An overspend of £306k is projected at year end. This relates the acquisition of replacement waste vehicles funded from reserves and additional CCTV which it is planned to fund from S106 funding.
- 1.14 **Councillor Chandler – Leisure**
An underspend of £1.98m is forecast on the and Spelthorne Leisure Centre, this is a significant project.
- 1.15 **Councillor McIlroy – Planning and Economic Development**
An underspend of £89.5m is forecast at year end. The underspend at year end relates to delays in a number of major redevelopments; Thameside House, Oast House, Ashford Hospital, Elmsleigh Centre. Redevelopments by their nature are subject to delay and the impact of Covid-19 on the building industry contributes significantly to the delays. Any underspend will be carried forward at year end.

1.16 Councillor Boughtflower – Leader

An underspend of £19.2m is forecast at year end. This project is aimed at acquiring sites which will support the Council's Housing and Regeneration objectives. At the end of September it is anticipated that £0.8m will be incurred on housing and regeneration acquisitions within the Borough in 2020/21.

Councillor Noble – Communications, Corporate Management & Environment

- 1.17 An overspend of £80k is projected at year end. This overspend is mainly due to a £66k overspend on IT homeworking costs resulting from the need to deliver effective working from home for staff during the Covid-19 pandemic. These costs will be funded from the Covid-19 Grant via a Revenue Contribution to Capital.

2. Financial implications

- 2.1 Any underspend on the approved Capital Programme can be used to fund additional capital schemes or reduce the amount of borrowing costs financed from the Revenue Budget .
- 2.2 The addition to the Capital Programme of an additional scheme of £40,000 to fund a replacement Fordbridge minibus can be funded from within Revenue Reserves.

3. Timetable for implementation

- 3.1 Monthly monitoring reports are prepared for Management team which incorporate regular updates on the progress of capital schemes.

Background papers: None

Appendices: A,B,C,D, E, F & Exempt Appendix G