

Corporate Policy & Resource Committee



29 November 2021

Title	Capital Monitoring Report 2021/22 – Q2 September 2021
Purpose of the report	To note
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Corporate Priority	Financial Sustainability
Recommendations	<p>The Committee is asked to note the current level of overspend on capital expenditure against its Capital Programme provision as at 30 September 2021 for the Council and the Corporate Policy & Resources Committee.</p> <p>(Please note that individual committees will receive the relevant section of this report at their next meeting, noting that some will receive it before and some after this committee formally meets).</p> <p>Also, it has not been possible to disaggregate the housing element of the Elmsleigh project for 91/92 High Street for this report., therefore, the whole scheme is shown under Corporate Policy & Resources, previously Economic Development.</p>

1. Key issues

- 1.1 The Capital Monitoring report covers the cumulative actual expenditure to date, against the cumulative Council approved capital programme budget and compares this against the latest forecast outturn from Officers.
- 1.2 For the quarter ended 30 September 2021 our approved capital expenditure programme was £323,439k (June restated: £323,341k). The latest forecast outturn position is £324,725k (June restated: £323,153k), giving a projected aggregate overspend £1,286k (June: underspend of (£206k)) as per appendix A
- 1.3 The projected aggregate underspend by Committee as per Appendix B is as follows:
 - (a) Administrative – projected underspend (£8k) (June: overspend £2k)
 - (b) Community Wellbeing & Housing – projected overspend £1,211k (June: underspend (£291k)) with the significant movement being on Thameside House.

(c) Environment & Sustainability – projected overspend at 30 September 2021, unchanged from June, at £83k

- 1.4 In arriving at the cumulative expenditure to date, the Finance Team account for capitalised borrowing costs, salaries, and all costs of acquisition on each development project.
- 1.5 Since Council declared a moratorium in January 2021 and the delays in the Planning Committee process in approving the Council's plans has had a significant impact on the Council's finances, which officers have been monitoring closely, particularly in respect of capitalising borrowing costs, the table below shows by each development property.

Property	Cumulative actuals		Monthly spend	
	Revenue £000	Capital £000	Revenue £000	Capital £000
Ashford MCSP Residential Scheme	0.0	40.0	0.0	0.6
Benwell Land Phase II	115.4	10,700.0	0.0	4.5
White House Residential	0.0	400.0	0.0	1.5
Thameside House	1,616.4	1,300.0	16.0	2.8
Thameside House L & Build	0.0	9,700.0	0.0	20.2
Victory Place	0.0	1,400.0	0.0	1.8
Victory Place – L & Build	0	5,300.0	0.0	11.0
Oast House	23.8	21,300.0	14.1	33.3
Total	1,755.6	50,140.0	30.1	75.7

On a monthly basis since January 2021, it has cost the council £301k in revenue costs, and £757k in capital costs, to fund these developments during the moratorium and planning committee delays.

This is the equivalent of a £20 increase in the Council Tax charges for every taxpayer in the Borough.

- 1.6 **Capitalisation of borrowing costs**
- 1.7 Under normal circumstances, officers would capitalise the borrowing costs associated with these development properties based on the requirements of section 4 of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting, however, the delays caused by the moratorium on high rise developments in the Staines-upon-Thames area and the Planning Committee process in approving the Council's plans has had a significant impact on the Council's finances.
- 1.8 If these delays continue officers will be shortly advising Council that these delays are impacting on our ability to comply with the Code of Practice and Council may have to approve a recharge over £1m of borrowing costs to the

revenue budget, which is the equivalent of running our grounds maintenance team for just under six months.

2. Variance analysis

2.1 We report on any significant movement in forecast variance over £50k or 20% of budget, whichever is the highest, since last quarter by committee as follows:

2.2 Administrative – no significant changes in any variance to report from last quarter.

2.3 Community Wellbeing & Housing – projected net overspend £1,211k (June: underspend (£291k))

- (a) Community Centre Projects - £70k overspend on the Day Centre Extensions at two of our Day Centres to be funded from the planned maintenance budget at the end of the financial year.
- (b) Ashford MSCP - £233k overspend, due to additional changes to the public realm and increased parking capacity requested by local councillors, no change from last quarter.
- (c) Bugle - (£680k) underspend, no change from last quarter
- (d) Benwell 1, no change to the reported underspend of (£2,700k) of last quarter. In response to a question raised at the last Corporate Policy and Resources Committee meeting, officers reviewed the Cabinet papers and whilst the design was changed, there was no recommendation by Cabinet to reduce the budget to reflect the revised project.
- (e) Benwell land £623k overspend, no change to the financials since our last report.
- (f) Whitehouse Land £299k overspend back in 2017 and no change to the figures reported last quarter.
- (g) Thameside House £1,570k (June: £70k overspend) due to delay cause by the Council's moratorium on high rise developments in Staines-upon-Thames, which has resulted in 4% higher than anticipated material and labour costs and subsequent shortages of materials because of supply chain delays.
- (h) Thameside House Land & Building (£160k) underspend and is unchanged since last quarter's report.
- (i) West Wing the projected overspend is below the reporting limit and unchanged since last quarter.
- (j) Whitehouse Hostel Phase A £356k overspend due to additional systems requested by the Planning Committee and unchanged since last quarter's report.
- (k) Victory Place (Ashford Hospital) £1,470k projected overspend is due to enhanced energy efficiency initiatives requested by the Planning Committee and is unchanged from last quarter.

- 2.4 Environment & Sustainability – projected overspend £83k
 - (a) Laleham Park Upgrade – no changes in the financial outturn or comments since we reported last quarter.
- 3. Financial implications**
 - 3.1 Once a project is completed, any underspend on the approved Capital Programme enables the Council to invest the monies to gain additional treasury management investment income or to fund additional schemes.
 - 3.2 Working closely with our Treasury Management advisors, officers are currently saving the Council more than £1,300k per annum in interest charges, through prudent use of short-term interest rates to fund regeneration development projects.
 - 3.3 Upon completion of each project, officers obtain fixed rate interest loans to significantly reduce the Council's exposure to risk of future interest rate rises over the next 50 years.
- 4. Other considerations**
 - 4.1 None.
- 5. Equality and Diversity**
 - 5.1 Not Applicable.
- 6. Sustainability/Climate Change Implications**
 - 6.1 Not Applicable.
- 7. Timetable for implementation**
 - 7.1 Not Applicable.

Background papers: There are none.

Appendices:

Appendix A – Summary Capital Monitoring Report by Committee at 30 September 2021.

Appendix B – Detailed Capital Monitoring Report by Committee at 30 September 2021.