

Council Addendum

24 February 2022



Title	Addendum Estimated 2022/23 to 2025/26 Capital Programme update
Purpose of the report	To approve the £3.965m addition to the estimated 2022/23 to 2025/26 capital programme based on the material increase in budgeted costs for Ashford Victory Place, as notified to officers after the Corporate Policy & Resources Committee meeting on 7 February.
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	Council is asked to review the feedback provided by the Development Sub Committee (being held on 21 February 2022) and approve the revised Capital Programme for 2022/23 to 2025/26, which includes the increase in budget of £3.965m for Ashford Victory Place, as shown in appendix 1.
Reason for Recommendation	<p>Following the meeting of the Corporate Policy & Resources Committee on 7 February, which recommended the estimate 2022/23 to 2025/26 capital programme, Officers were subsequently advised that due to delays with obtaining planning permission and building material and labour inflationary pressures, an increase of £3.965m to the current approved budget would be required.</p> <p>As mentioned above, the revised budget for Victory Place is being presented to the Development Sub Committee meeting on 21 February and there will be insufficient time to call a meeting of the Corporate Policy & Resources Committee to consider their decision and make a recommendation to Council.</p> <p>Therefore, in view of the materiality of the sums involved and impact on our capital programme Council will be asked to consider the decision of the Development Sub Committee and approve this additional expenditure.</p>

1. Key issues

- 1.1 At their meeting on 7 February the Corporate Policy & Resources Committee reviewed the report for the estimated Capital Programme which forecast that as at 1 April 2022 the Council's multi-year Capital Programme would be £265.3m and it is forecast that by 31 March 2021 £27.3m will have been spent, leaving a forecast budget balance of £243.8m to be incurred.
- 1.2 After the meeting, officers were advised that the costs for Ashford Victory Place had increased by just under £4m and are submitting a report on 21 February to the Development Sub Committee, who will be asked to recommend to Council the budget increase of £3.965m, which has occurred due to the delays in obtaining planning permission and the volatility of price inflation and shortage of labour in the construction industry and this is expected to continue to rise sharply over the next 1-2 years.
- 1.3 Officers have advised the Chair of both the Corporate Policy & Resources and Development Sub Committee about this significant and material increase in costs. Members of the Corporate Policy & Resources Committee have also been advised of the situation, as there is insufficient time to call a further meeting of that Corporate Policy & Resources Committee before Council meet to discuss the estimate Capital Programme on 24 February.
- 1.4 Council will be asked to approve a net budget of £247.7m (£269.2m of approved budget, less £27.3m forecast actual spend as at 31 March 2022)
- 1.5 The £62.2m of new projects for 2022/23, which have been phased across the four years of the Programme, as shown in Appendix 1 below, is not impacted by this matter.
- 1.6 Considering these additions, the new estimated Capital Programme for 2022/23 to 2025/26 is £306.5m, as shown in Appendix 1.
- 1.7 The revised aggregate estimated Capital Programme attributable to each committee for 2022/23, before funding is applied is shown in the table below.

	2022/23	2023/24	2024/25	2025/26
	Actual £000s	Estimated £000s	Estimated £000s	Estimated £000s
Community Wellbeing & Housing - DFG	973	973	973	973
Community Wellbeing & Housing	34,963	86,115	79,253	57,661
Environment & Sustainability	531	1,595	455	320
Corporate Policy & Resources	28,990	13,254	1,850	0
Neighbourhood Services	300	0	0	0
Regulatory & Administration	1,434	0	0	0
Total before funding	67,191	101,937	82,531	58,954

2. Prudential Indicators (PI)

2.1 This change impacts on PI number two and has been recalculated and shown in Appendix 2.

Operational Boundary

2.2 Is not materially impacted by this addendum.

Authorised Limit

2.4 Is not materially impacted by this addendum.

Estimates of financing costs to net revenue stream

2.5 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the Council and is a measure of affordability of borrowing and is shown in table 2 of Appendix 2.

2.6 The net revenue stream, as defined by CIPFA consist of Council Tax receipts and all government funding received in the year, it excludes investment income.

2.7 As the Council continues to repay its loans, the interest charge will start to reduce, and the capital repayment element will increase, and therefore the ratio will start to fall over the coming years and highlights the importance of the Council continuing with its policy to build its reserves as well as using the net investment income to support its service deliver and regeneration programme.

2.8 If our net investment income from our property portfolio were included (which was why Council took out the loans) the ratios would be as follows:

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net Revenue Stream,	25,957	25,740	27,247	27,699
Financing costs,	36,213	36,454	36,647	36,920
Ratio	1.39	1.42	1.35	1.33

Commercial income, related costs, and net contributions to future costs

2.9 Is not materially impacted by this addendum.

3. Financial implications

3.1 The revised planned financing of the 2022/23 proposed Capital Schemes is as follows:

Type of Funding	2022/23 Actual £000s	2023/24 Estimated £000s	2024/25 Estimated £000s	2025/26 Estimated £000s
Capital Receipts, CIL and S106 funding	3,000	3,000	3,000	3,000
External Funding - Disabled Facilities Grant	973	973	973	973
Revenue Contributions to capital outlay	750	750	750	750
Grants & Other Contributions	220	250	250	250
Borrowing	61,948	96,964	77,658	53,981
Total	67,191	101,937	82,631	58,954

4. Equality and Diversity

4.1 Is not materially impacted by this addendum.

5. Sustainability/Climate Change Implications

5.1 Is not materially impacted by this addendum.

6. Timetable for implementation

6.1 Is not materially impacted by this addendum.

Background papers: There are none.

Appendices:

1 - 2022/23 to 2025/26 Capital Programme amended for Ashford Victory Place

2 - Prudential Indicators.