Community Wellbeing & Housing Committee

SPELTHORNE BOROUGH COUNCIL

29 March 2022

Title	Capital Monitoring Report 2021/22 – Q3 December 2021
Purpose of the report	To note
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Corporate Priority	Financial Sustainability
Recommendations	**This is an abridged copy of the full report to be submitted to the Corporate Policy & Resources Committee (CPRC) at their meeting on 29 November and just shows the capital projects that fall under the Community Wellbeing & Housing Committee's remit.** **The Committee is asked to note the current level of underspend on capital expenditure against its Capital Programme provision as at 31 December 2021, which may be subject to change at the CPRC meeting in 14 March.**

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 Although the projects may have a budget allocation in the capital programme, any increases in budget will require prior approval by Corporate Policy & Resources Committee before drawing down on the budget.

1.3 Officers are beginning to see the impact of BREXIT, COVID-19 on our building costs, availability of labour and shorter fixed price guarantees from building suppliers.

1.4 For the quarter ended 31 December 2021 the committees approved capital expenditure programme was £304.0m (September: £303.0m). The latest forecast outturn position is £318.6m (September: £304.2m), giving a projected aggregate overspend £14.6m (September: overspend of £1.2m) as per appendix B.

1.5 The substantial rise in overspend, which has yet to be approved by the Development Sub Committee and is almost entirely due to the Oast House development, where officers are indicating that due to the prolonged delays in obtaining council agreement to the development, costs are estimated to rise by £13.4m.

1.6 There are also two downward adjustments to the approved budgets from last quarter following a review of all Development Sub Committees minutes, as follows:

(a) Spelthorne Leisure Centre £40.42m reduced to £40.0m

(b) Ashford MSCP £15.267m reduced to £15.0m

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:

(a) Spelthorne Leisure Centre - £420k overspend, as highlighted in section 1.6 above.

(b) Community Centre Projects - £69.5k overspend, no significant change from last quarter.

(c) Ashford MSCP - £500k overspend, £267k increase due to amendment in approved budget, section 1.6 above refers.

(d) Bugle - (£680k) underspend, no change from last quarter

(e) Benwell 1, no change to the reported underspend of (£2,700k) of last quarter.

(f) Benwell land £623k overspend, no change to the financials since our last report.

(g) Whitehouse Land £299k overspend back in 2017 and no change to the figures reported last quarter.

(h) Thameside House £1,570k overspend, no change to since last quarter.

(i) Thameside House Land & Building (£160k) underspend and is unchanged since last quarter's report.

(j) West Wing the projected overspend is below the reporting limit and unchanged since last quarter.

(k) Whitehouse Hostel Phase £356k overspend, no change since last quarter.

(l) Victory Place (Ashford Hospital) £768k projected overspend is due to additional contractor costs and on 21 February Development Sub Committee recommended to the Corporate Policy & Reserves Committee to accept an addition £3.965m increase in the contractor costs, due to price inflation, shortage of labour and longer lead times for delivery of materials, due to the ongoing delays in obtaining planning permission. (September: £1.570k overspend due to Council approved expenditure on new heat pumps to be installed at the properties, which resulted in the approved budget being increased by the same amount).

(m) Oast House £13.4m overspend, due to the delays in agreeing the final design and as mentioned above in Victory Place, costs for construction have been forecast to rise significantly (September £nil)

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 B – Detailed DFG Capital Monitoring Report by Committee at 31 December 2021*.*

Appendix B – Detailed Other Capital Monitoring Report by Committee at 31 December 2021.