

Below is my formal response to the questions raised at the meeting on 29 March 2022:

At the committee meeting held on 29 March, there were a couple of questions asked about the Q3 Capital Monitoring Report, which required supplementary answers and the Chief Accountant responds as follows:

- Oast House – there was a request for a breakdown of the projected increase of £13.4m in the manager's outturn costs for this property.

Officers have been closely monitoring developments in the construction sector, around material and labour cost inflation, as seen, with the recent reports where Council approved the inflationary increases of between 15-21% on the new leisure centre and Victory Place based on new bill of materials, at their February meeting.

As at 31 December 2021, the current configuration for the Oast House had an approved budget of £105.2m and this was the basis of the report approved by Council 27 April 2022.

Using the new leisure centre and Victory Place actual inflationary increases, the Project Manager has forecast a projected outturn increase of £13.4m based on a revised construction cost per square metre and subject to a bill of materials based on the Council approved plans that were subsequently approved after the Q3 capital monitoring report had been prepared and the year end.

Whilst Council had not formally approved the budget, officers kept this figure unchanged, however, based on the new cost of construction per square metre, officers have taken the opportunity to flag up to councillors through the quarterly monitoring process, that the Council is facing a significant increase in the cost of construction on the Oast House due to the material and labour cost inflation, that the construction sector is experiencing now.

Whilst officers could have kept the projected outturn at Q3 unchanged, it was felt that for both consistency and transparency's sake, we should align the monitoring report with the figures that would ultimately go through to Council.

As Council approved the plans last month, officers will now update the Council approved estimated 2022/23 to 2025/26 capital programme to reflect this new decision.

- Whitehouse land – following a thorough review, the Chief Accountant can inform the Committee of the following:
 - In 2017, Cabinet approved a budget of £1.25m for the purchase of land and buildings including acquisition costs (phase 1) for the above property, this amounted to £1,391,721.
 - In 2018/19, under delegated authority, the building was demolished and the expenditure of £26,298 was incorrectly coded against a revenue code, as part of the financial year end review process this expenditure was coded to capital and accounted for as part of construction costs (phase 3) and is included in the manager's forecast outturn figures in the Q3 monitoring report.
 - In September 2018, Cabinet subsequently approved an additional £680,000 budget for design fees (phase 2) and this sum had not been added to the capital monitoring report, nor had it been included in the revised outturn manager's report because

the actual expenditure had been incorrectly coded to the managers outturn forecast for land acquisition (phase 1)

This means that the land and building (phase 1) managers forecast outturn including Stamp Duty and related legal fees, was £1,391,721, against a budget of £1,391,721, which has resulted in no variance arising.

The Council approved increase in the design costs for phase 2 has now been added to the original costs to construct and the managers outturn now agrees to the Council approved budget, which has resulted in no variance arising.

Please note that officers, don't propose to amend the Q3 report and will reflect the changes in Q4.

Kind regards

Paul Taylor
Chief Accountant