

# Corporate Policy & Resources Committee



12 May 2025

<b>Title</b>	<i>2024-25 Capital Outturn Report</i>
<b>Purpose of the report</b>	To inform and assure the Committee as to the Capital Outturn position
<b>Report Author</b>	<i>Ola Owolabi, Deputy Chief Finance Officer</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Corporate Priority</b>	Community Addressing Housing Need Resilience Environment Service Delivery
<b>Recommendation</b>	<b>Committee is asked to acknowledge the Capital Outturn of £463k projected overspend against the Council's Estimated Capital Programme for 2024-25, as at 31 March 2025.</b>

## 1. Summary of the report

What is the situation	Why we want to do something
<ul style="list-style-type: none"> <li>The Committee is asked to acknowledge the 2024-25 Capital Outturn and the projected (£463k or 0.7%) overspend, against budget, as set out in Appendix A</li> <li>The details (under)/overspends are shown by capital project in Appendix B below and summarised in section 1.11 below.</li> </ul>	<ul style="list-style-type: none"> <li>At the end of the financial year, the Committee will note the Capital Monitoring Report, based on the Council approved 2024-25 Estimated Capital Programme.</li> </ul>
This is what we want to do about it	These are the next steps
<ul style="list-style-type: none"> <li>Review the report and appendices attached.</li> <li>Question Budget Managers, Chief Accountant and Chair about any issues the Committee may have.</li> </ul>	<ul style="list-style-type: none"> <li>To note the report</li> </ul>

- 1.1 This report seeks to update the Committee and members on the performance of the Council's approved capital projects against the approved Capital Programme budget, as at 31 March 2025. And the projected overspend of (£463k), this represents an adverse 0.7% variance.
- 1.2 The Capital Monitoring report covers the cumulative actual expenditure to date, taking into account a number of projects take more than one financial year to complete, against the cumulative Council approved Capital Programme budget and compares this against the latest forecast outturn from Officers.
- 1.3 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.
- 1.4 A number of the construction projects have taken longer than the twelve months post completion to finalise the invoicing for each development, due to protracted negotiations with the main contractor.
- 1.5 It is anticipated that further reductions and/or deferrals of budget will be made in the forthcoming year. Such deferrals would reduce the borrowing costs incurred during 2025/26 and also delays the resultant Minimum Revenue Provision (MRP) charges into future years. Given the budgetary pressures that the Council faces, a review of the programme continues to try and identify schemes that may no longer be financially viable.
- 1.6 **Reprofiling of the Capital Programme expenditure** - Regular meetings are held with officers who are responsible for capital projects contained within the programme. During these meetings assessments are made regarding the deliverability of the schemes and their budgetary requirement for the year. These assessments are reflected in the forecast outturn reports provided to Members. Should it be assessed that a scheme will continue into the next financial year, or beyond, budget is reprofiled as deemed appropriate at that time.
- 1.7 A scheme should not be paused or deferred into a future year if this action were to lead to avoidable detrimental effects on the Council. The project lead officers determine if a scheme is appropriate for deferral and manage any risks or negative impacts associated with this decision. Schemes that are part or fully funded from grant require additional consideration before deferral, so as not to compromise the conditions of the grant agreements, which may jeopardise the scheme funding.
- 1.8 A review of the expenditure profile within the Capital Programme is continuing and is likely to lead to a further reduction in anticipated spend for future years.
- 1.9 **Appendix A** below provides an aggregate summary breakdown of the projects by Committee, showing the following:
  - (a) £30,274k - Actual expenditure in the year
  - (b) £64,649k - Cumulative expenditure to date
  - (c) £68,556k - Approved Budget
  - (d) £69,019k - Projected Outturn
  - (e) £463k - Variance between Approved Budget and Projected Outturn
- 1.10 **Appendix B** provides the detailed breakdown regarding the projected overspend of £463k by individual project, and by Committee.

1.11 The main significant variances that make up the net £463k overspend are as follows:

Description	Forecast Variance	Comments
	<b>£000</b>	
Spelthorne Leisure Centre Development	1,932	Overspend on Spelthorne Leisure Centre Development: c. capitalised £1,000k interest (producing an ongoing annual revenue saving), c. £500k project management, c. £164k re Phase 1, due to negotiated final account, c. £268k increased demo costs for the old Spelthorne LC.
31 Hanworth Road – secure approval to enter into a land swap with owner occupier.	(1,000)	This was removed from the Programme. The Summit Centre site is now being sold.
Environment & Sustainability	(111)	Underspend on carried forward Replacement of Refuse Vehicle and Wheelie Bin budget.
General Hard/Software - annual programme	(148)	Underspend pending the release of new Intel chipsets.
Decathlon Unit, Elmsleigh	(150)	No spend estimated as space taken over by SCC library and this budget will be removed as part of capital savings for next financial year.
Various projects	(60)	Other various capital programme slippages.
<b>Total</b>	<b>463</b>	

1.12 Please note that the following projects with a cumulative budget of £49,120k have been completed in 2024-25 and will be removed from the 2025-26 to 2028-29 Capital Programme:

- (a) Spelthorne Leisure Centre Phase 1
- (b) Ashford Cemetery Lodge
- (c) Centros Upgrade
- (d) New Food Waste Vehicles
- (e) Replacement of Refuse Vehicle
- (f) Replacement Spelride Buses
- (g) Laleham Nursery Portacabins
- (h) River Ash Boardwalk

## 2. Key issues

- 2.1 The Capital Monitoring report covers the cumulative forecast expenditure to complete the capital projects as at 31<sup>st</sup> March 2025, against the cumulative Council approved Capital Programme budget.
- 2.2 The Eclipse Leisure Centre was opened in October 2024. It has been a major multi-year capital project. As well as being an innovative design with all the latest facilities, the new Leisure Centre is also extremely energy efficient (saving approximately 60% to 70% compared to a conventional leisure centre). The financing of its costs is of major significance to the resilience of the Council's financial situation.

- 2.3 Although the projects may have a budget allocation in the Capital Programme, any changes to the approved project or increases in forecast to complete the project, over and above the approved budget will require prior approval by Corporate Policy and Resources Committee before drawing down against that budget.

### **3. Options analysis and proposal**

- 3.1 A review of the Capital Programme is ongoing, identifying initiatives within the Committees that may no longer be financially viable, necessary, or achievable due to the Council's budgetary pressures.
- 3.2 On going capital schemes will continue to be subject to reviews to ensure that a deliverable programme is in place, that they are compatible with the Council priorities and to try and identify any savings. Costs are constantly being monitored by project officers due to inflationary pressures within the economy.
- 3.3 Financial monitoring of schemes is of upmost importance to identify any potential budgetary issues that may arise such as an increase in the cost of building materials. Any such pressures that are identified that may jeopardise the delivery of a scheme will be reported. It will then be determined as to whether the scheme must apply for additional funding to complete the project, or whether the scheme becomes no longer viable from a financial perspective.

### **4. Financial implications.**

- 4.1 Other than the items mentioned above.
- 4.2 For many of the smaller capital projects, especially those which will not generate revenue income streams or revenue savings, officers will fund the project from the annual Revenue Contribution to Capital, existing capital grants, capital receipts or short-term lease/HP agreements, rather than long term loans.
- 4.3 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.
- 4.4 One of the key principles underlying the Council's Medium Term Financial Strategy is the Capital Programme funding from available or realised capital resources and that new borrowing should only be used as the last resort, where it is prudent and affordable. The only exception to this is where a scheme is subject to grant funding or external contributions in which case no commitment is made against these until the funding is confirmed. The 2024/25 projected outturn for the General Fund Capital Programme conforms to this key principle.

### **5. Risk considerations.**

- 5.1 With a much-reduced Capital Programme moving forwards the scale of risk for the Council is reduced. The main risks relate to completing the Leisure Centre Phase 2 on time and against Budget and delivering future carbon reduction initiatives.
- 5.2 The significant risks for our Capital Programme continue to be the delay in commencing development projects. These delays are seeing construction costs rise rapidly, as the construction industry experiences significant inflationary increases in building material and labour costs, which in turn is creating shortage of both in the marketplace, adding to lead times and driving financing costs upwards.

- 5.3 The recent upward trend in interest base rates is impacting development properties, as the Council funds these projects from short term borrowing, before fixing the loan interest via the Public Works Board on completion of each project.

## **6. Procurement considerations**

- 6.1 In accordance with the Council's Contract Standing Orders, the Corporate Procurement team provides support in tendering for projects with a value of £30k or over. This includes major capital (and revenue) projects, such as development scheme projects.
- 6.2 Corporate Procurement plays a vital role in ensuring that tenders are conducted compliantly and under a process designed to achieve optimal whole life value for money.

## **7. Legal considerations**

- 7.1 In accordance with section 151 of the Local Government Act 1972 the Council is required to make arrangements for the proper administration of their financial affairs.
- 7.2 This Committee has a responsibility to keep the budget under review and make recommendations concerning the budget to the Council.

## **8. Other considerations**

- 8.1 None

## **9. Equality and Diversity**

- 9.1 This Council is committed to delivering equality, improving diversity and being inclusive in all our work as a service provider and an employer.
- 9.2 We incorporate equality into our core objectives, making every effort to eliminate discrimination, create equal opportunities and develop good working relationships between different people.

## **10. Sustainability/Climate Change Implications**

- 10.1 Spelthorne Borough Council has declared a climate emergency, and each capital project will be looking to reduce its carbon footprint within the financial constraints imposed on it.

## **11. Timetable for implementation**

- 11.1 Once this report is approved by the Committee the 2025-26 to 2028-29 Estimated Capital Programme will be updated and sent to the Committee for noting and onward monitoring.

## **12. Contact**

- 12.1 Ola Owolabi, Deputy Chief Finance Officer - [O.Owolabi@spelthorne.gov.uk](mailto:O.Owolabi@spelthorne.gov.uk).

### **Background papers:**

- Council 6 February 2024, Agenda item 11 – Transformation Business Cases
- Cabinet 26 May 2021, Agenda item 3 – Principles of Collaboration with Other Local Authorities

### **Appendices:**

- **Appendix A** – Summary Capital Monitoring Report by Committee as at 31 March 2025.

- **Appendix B** – Detailed Capital Monitoring Report by Committee as at 31 March 2024.