

Committee Report Checklist

Please submit the completed checklists with your report. If final draft report does not include all the information/sign offs required, your item will be delayed until the next meeting cycle.

Stage 1

Report checklist – responsibility of report owner

ITEM	Yes / No	Date
Councillor engagement / input from Chair prior to briefing		
Commissioner engagement (if report focused on issues of concern to Commissioners such as Finance, Assets etc)		
Relevant Group Head review		
MAT+ review (to have been circulated at least 5 working days before Stage 2)		
This item is on the Forward Plan for the relevant committee		
	Reviewed by	
Risk comments		
Legal comments	LH	27 Nov 25
HR comments (if applicable)		

For reports with material financial or legal implications the author should engage with the respective teams at the outset and receive input to their reports prior to asking for MO or s151 comments.

Do not forward to stage 2 unless all the above have been completed.

Stage 2

Report checklist – responsibility of report owner

ITEM	Completed by	Date
Monitoring Officer commentary – at least 5 working days before MAT	L Heron	27/11/25
S151 Officer commentary – at least 5 working days before MAT	T Collier	26/11/25
Confirm final report cleared by MAT		

Corporate Policy & Resources Committee

Date of meeting – 1 December 2025

Title	Quarter 2 (30 September 2025) Capital Monitoring Report
Purpose of the report	To acknowledge
Report Author	Ola Owolabi, Deputy Chief Finance Officer (Interim)
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to: 1. Recommend to Full Council that it approves A supplementary capital estimate to the Capital Programme for 2025/26 of up to £1.9m, for acquiring housing units to be part funded by Local Authority Housing Fund Grant funding. This would create a borrowing need of £1.05m, and an annual financing requirement of about £70k per annum.
Reason for Recommendation	Local authorities are required to estimate their total capital expenditure when setting prudential indicators for capital investment. This process ensures that their asset management and capital investment strategies remain affordable, prudent, and sustainable. Capital expenditure carries significant risks and uncertainties, as large and complex projects are often susceptible to cost variations, delays, and changes in scope or specification.

1 Executive summary of the report

What is the situation	Why we want to do something
• The Council is projecting an increased in gross Capital expenditure of £2.795m • £1.55m of the above is funded from Government grant • Report also reflects £0.995m of Sports England grant carried forwards from 2024/5 • Balance of £0.25m projected as additional internal financing required at year end from borrowing	• Ensuring the financial stability of the Council • To aid the cashflow and the Council's treasury management activities.
This is what we want to do about it	These are the next steps
• Regular monitoring and reporting of Capital Programme and funding enable timely decision-making, which can generate long term revenue benefits and improve the Council's financial control.	• Reassessment of 2025/26 and future Capital Programme assumptions • Council to approve requested supplementary estimates.

2 Key issues

- 2.1 This report provides a summary of Capital Programme expenditure as at the end of September 2025. Detailed supporting information is included in Appendix A.
- 2.2 Any material changes to project scope, or any forecast increase in project costs exceeding the approved budget, must receive prior approval from the Corporate Policy and Resources Committee (CPRC) before any further funds are released.
- 2.3 The main movements in the Programme between Q1 and Q2 relate to the proposal to deliver three additional Temporary Accommodation (TA) housing units within the borough, as well as the acquisition of one further property for an Afghan refugee family. The Urgent Action for LAHF Round 3 Extension Funding capital expenditure of £1.9m and a net cost of £1m was agreed by the Corporate Policy and Resources Committee at its meeting on 24 March 2025 to be recommended to April Council. The approval was on the basis that the acquisitions would ease pressures on the Council's Temporary Accommodation Revenue Budget, and any acquisitions proposals would be brought to Corporate Policy and Resources Committee with supporting viability analysis. Whilst this was approved by a subsequent Urgent Action, the provision had not been picked up and added to the Original Capital Programme, this report now addresses this.

- 2.4 Full Council, at its meeting on 27 February 2025, approved a four-year Capital Programme for 2025/26 to 2028/29 with a total value of £18.5 million, of which £7.5 million was estimated to be spent in 2025/26. The Corporate Policy and Resources Committee, at its meeting on 8 September 2025, considered and approved the Quarter 1 monitoring report, which revised the 2025/26 Capital Programme to £6.519m.
- 2.5 The report sets out managers' projected outturn estimates at 30 September 2025 for the completion of ongoing projects (Appendix A). The overall movements and the projections are summarised in Table 1 below.

Table 1	£000	£000
Q1 Revised Capital Programme Budget (Gross Expenditure) 2025/26		6,519
Q2 Movements – (para 2.8)		
<u>Variations/Growth items</u>		
Cost of Disabled Facilities Grants	710	
Property acquisitions for families - approved by Urgent Action and to be added in to Programme Provision	1,900	
Spelthorne Leisure Centre Development	20	
Spelthorne Leisure Centre Phase 2	73	
Sunbury Leisure Centre Decarbonisation Project	82	
EDMS Project (moving Civica to Academy)	10	
Total gross expenditure changes		2,795
Q2 Projected Capital Programme 2025/26		9,314
Movement in Gross Expenditure		2,795
Expenditure movement partially offset by movement in external funding:		
Local Authority Housing Fund Capital Grant	(855)	
Additional Disabled Facilities Grant (DFG) funding	(695)	
Sports England Grant carried forwards from 24-25	(995)	
		(2,545)
Underlying increase to be funded internally from borrowing/receipts		250

2.6 Explanations of movements between Q1 and Q2 Monitoring

- **Cost of Disabled Facilities Grants Gross variance £710k** –the underlying gross expenditure on the programme is now forecast to exceed the original estimate by approximately £710k, primarily due to higher levels of demand and activity. This additional spend is largely offset by an increase in external grant funding of around £695k, resulting in a net movement in internal financing impact for the Council.

- **Property acquisitions for families £1,900k** –the Council's Property Acquisitions for Families Scheme is aimed at increasing the availability of suitable housing for families in need addressing the need for Temporary Accommodation (TA). Under this scheme, the Council require additional resources approved by the committee on 24 March 2025 for the purchase of four properties (Three TA and one resettlement for an Afghan family) at a total cost of £1.9 million. Funding will be supported through the Local Authority Housing Fund (LAHF) Grant, which will contribute 45% (£855k) of the total cost. The remaining £1,045k will be financed by the Council through borrowing. This targeted investment will enhance the Council's housing portfolio, support families requiring stable accommodation, and contribute to meeting local housing demand by easing the pressure on the Council's Revenue Temporary Accommodation Budget. This Committee agreed on 24th March 2024 (following Community Wellbeing and Housing Committee on 12th March supporting the proposal) to make a recommendation to Council for £1.9m but through an oversight the recommendation was not taken to Council in April. Two housing units to date have been purchased with the support of the grant. If the grant were to be fully applied net borrowing of £1m at say 5% that would equate additional interest of approximately £50k per annum, plus Minimum Revenue Provision of approximately £21k per annum (on an assumed useful life of 50 years per unit). This would be offset by savings on the Temporary Accommodation Budget per annum of approximately £86,000.
- **Spelthorne Leisure Centre Development £20k** – the Centre itself was completed during the 2024/25 financial year the new centre represented a significant investment by the Council in enhancing local leisure and wellbeing facilities. However, following completion and handover, a number of minor but essential post-construction issues have been identified. These relate primarily to defect rectification necessary to ensure the facility operates at its intended standard. As such, additional ad hoc costs in the region of £20k will be incurred, which were not originally anticipated within the project's final budget.
- **Spelthorne Leisure Centre Phase 2 £73k** - The increased expenditure of £73k relates primarily to unforeseen ground conditions encountered following the completion of demolition works. During this stage, additional ground works were required to ensure the stability and suitability of the site for construction. Furthermore, asbestos-containing materials were identified and safely removed in full compliance with health and safety regulations. These unanticipated requirements were essential to maintain project safety standards and regulatory compliance, resulting in the necessary budget adjustment to cover the additional works.
- **Electronic Document Management System (EDMS) Project (Migration from Civica to Academy) £10k** - Additional expenditure has arisen due to migration delays.

Sunbury Mechanical Electric and Plant (MEP)/ Decarbonisation £82k

- 2.7 In March 2023, as part of the Spring Budget, the Government announced a £60 million Swimming Pool Support Fund (SPSF) to assist publicly owned leisure centres and swimming pools. Building on wider environmental improvements already implemented at Sunbury Leisure Centre, Spelthorne Borough Council

engaged a specialist consultancy to prepare a bid aimed at significantly reducing the Centre's carbon footprint.

- 2.8 As a result of this bid, in March 2024 Spelthorne Borough Council secured £995k in grant funding from the UK Government and Sport England to support the decarbonisation of Sunbury Leisure Centre.
- 2.9 The Sport England grant funding must be fully spent by March 2026. This represents an extension from the original deadline of March 2025. Sport England has confirmed that no further extensions will be granted beyond March 2026. Therefore, all projects must be completed by the end of March 2026 to ensure compliance; otherwise, any unspent funds will need to be returned. The assets/project team is confident that the March 2026 deadline will be achieved. The boilers are being replaced with more efficient boilers and photo-voltaic cells are being installed on the roof.
- 2.10 While the project is primarily being funded by Sport England, an additional £146k in consultant costs are now required to carry out a review of the original design and specification, ensuring that the proposed solutions are robust, efficient, and deliver best value. Of this amount, £64k has already been included in the existing budget, meaning an additional £82k will be required to meet the full consultancy costs and maintain project quality and compliance with decarbonisation objectives.

3 Options appraisal and proposal

- 3.1 To note the Capital expenditure projected gross capital expenditure is projected to increase by £2.8m compared to original Programme provision. Additional/carried forward grant funding of £2.55m, which means the net additional projected internal financing requirement at year end is £0.25m.
- 3.2 To prioritise future capital expenditure to ensure it remains within the current affordability envelope. It is important to consider the potential impact on the revenue budget of any increase in borrowing that may be required to support new capital project proposals.

4 Risk implications

- 4.1 The key risks associated with the Council's Capital Programme relate to rising costs, as the construction industry continues to experience significant inflationary pressures on both materials and labour. Although interest rates have begun to ease, challenges remain in identifying the most cost-effective methods of funding high-value, long-term projects.
- 4.2 The risk of failing to deliver the Capital Programme will be mitigated through regular programme reviews led by a senior officer responsible for improving performance. Risks specific to individual schemes are identified within the original business case, and any emerging risks to deliverability will be highlighted as part of the ongoing scheme review process.
- 4.3 Where service project leads identify schemes facing difficulties or increased delivery risk, these will be subject to enhanced scrutiny and, where appropriate, escalated to the Management Team (MAT) for consideration and action.

- 4.4 There is a significant risk associated with the Sunbury Leisure Centre Decarbonisation Project in relation to project timelines. Should the project experience delays or fail to meet the agreed completion milestones, there is a possibility that the allocated £995k grant funding will be withdrawn. In this event, the grant would need to be returned to the project sponsor, Sport England, resulting in a substantial financial loss to the Council and potentially impacting the overall delivery and scope of the decarbonisation objectives.

5 Financial implications

- 5.1 This report provides the Quarter 2 Capital Programme Monitoring position to the end of September 2025, outlining the forecast outturn and progress against the approved Capital Programme. The Council has robust systems in place for budget reporting and forecasting, with formal quarterly reports presented to Committee. The financial position is also subject to regular review at both service level and corporately by the Management Team (MAT).
- 5.2 On completion of a project, any underspend within the approved Capital Programme can be reinvested by the Council either to generate additional treasury management income or to support the delivery of further capital schemes.
- 5.3 The Capital Programme is financed from several sources, including Council borrowing, capital receipts, grants, and revenue contributions. Where capital expenditure is funded through borrowing, the Council must set aside resources to repay the debt in future years. The amount charged to the revenue budget for this purpose is referred to as the Minimum Revenue Provision (MRP).
- 5.4 Approving the £1.9m supplementary estimate for Local Authority Housing Fund. Two units have been purchase to date at a combined cost of £0.769m. If 4 units were to be purchased at a cost of up to £1.9m with net borrowing of £1m at say 5% that would equate additional interest of approximately £50k per annum, plus Minimum Revenue Provision (which would commence from 1st April 2026) of approximately £21k per annum (on an assumed useful life of 50 years per unit). This would be offset by savings on the Temporary Accommodation Budget per annum of approximately £86,000. If the Council does not proceed with the purchase of a further two units, then the balance of the grant would be returned to MHCLG. The housing units financed by the LAHF grant would, as with previous LAHF acquisitions, transfer to Knowle Green Estates who would then make loan and interest repayments offsetting the Revenue financing impact for the Council

6 Legal comments

- 6.1 The Council has a statutory duty to make arrangements for proper administration of its financial affairs (the Local Government Act 1972).
- 6.2 This Committee has a responsibility to keep the budget under review and make recommendations concerning the budget to the Council.

- 6.3 This report provides an update on the Capital Programme and assists in the discharge of this duty.

Corporate implications

7 S151 Officer comments.

- 7.1 The report highlights a net projected gross increase in expenditure of ££2.795million against a revised Capital Programme budget of £6.519m million, this reflects increased demand for DFG support and the gross impact of implementing the further 4 LAHF acquisitions. £1.55m of this additional gross cost will be offset through additional Government funding resulting in an increased need for Council internal financing from borrowing of £1.245m projected at year end. As this is the second monitoring report of the financial year, the figures are subject to change and will continue to be monitored and reviewed through subsequent quarterly reports.

8 Monitoring Officer comments.

- 8.1 The Monitoring Officer confirms that the relevant legal implications have been taken into account.

9 Procurement comments

- 9.1 Where necessary, actions will be implemented to effectively manage any procurements that are in progress.

10 Equality and Diversity

- 10.1 Equality, diversity, and inclusion (EDI) are central to everything that the Council does and are woven throughout Council's Corporate Plans.

11 Sustainability/Climate Change Implications

- 11.1 There are no climate change implications arising directly from this report. However, prudent financial management contributes indirectly by enabling future investment in sustainability initiatives. Capital bids are welcomed that support the Council's Climate Change Plan and within the existing Capital Programme there are projects that positively contribute to environmental issues. The environmental and climate implications, both positive and negative, are reported for each scheme separately to the relevant Committee.
- 11.2 The Programme also includes projects that focus on environmental initiatives such as energy efficient buildings, sustainable and green infrastructure, energy efficient street lighting, etc.

12 Other considerations

- 12.1 Regular monitoring and reporting of the capital programme enable decisions to be taken in a timely manner, which may produce benefits and will improve financial control within the Council.

13 Timetable for implementation.

- 13.1 Not applicable.

14 Contact

14.1 Ola Owolabi, Deputy Chief Finance Officer (Interim) -
O.Owolabi@spelthorne.gov.uk.

15 Background papers:

15.1 Detailed Capital Programme Report for 2025-26 – Council meeting on 27 February 2025.

15.2 Corporate Policy and Resources Committee 24/3/25 Local Authority Housing Fund

Appendices:

- Appendix A – 2025/26 Detailed Q2 Capital Monitoring report