

CAPITAL BUDGET MONITORING QUARTER 2

Head of Service:	Lee Duffy, Chief Finance Officer
Wards affected:	(All Wards);
Urgent Decision?(yes/no)	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	Appendix 1: Update of Capital Project Progress

Summary

This report presents the capital monitoring position at Quarter 2 for the current financial year 2021/22.

Recommendation (s)

The Committee is asked to:

- (1) Receive the capital monitoring position at Quarter 2, as set out in the report;**
- (2) Note the progress of capital projects as set out in Appendix 1.**

1 Reason for Recommendation

- 1.1 To present the capital budget monitoring position to members for Quarter 2 and to provide an update on the progress of individual capital projects.

2 Background

- 2.1 This report summarises the capital monitoring information at the end of the second quarter of 2021/22. It details actual capital expenditure and receipts against capital budgets and financing. The report also provides the forecast outturn position and variances at year-end.
- 2.2 The core capital programme does not include investments made through the property acquisition funds; this activity is summarised within section 5.

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3 Core Capital Programme

3.1 The expenditure budget per Committee for the core capital programme is shown below:

Committee	2021/22 Original Budget £'000	Carry forwards from 2020/21 £'000	Additions during 2021/22 £'000	2021/22 Current Approved Schemes £'000
Strategy & Resources	225	536	0	761
Environment & Safe Communities	455	1,419	9	1,883
Community & Wellbeing	805	516	185	1,506
Total Core Capital Programme	1,485	2,471	194	4,150

3.2 The 2021/22 budget was agreed by full Council in February 2021. The budgets carried forward from 2020/21 were approved at S&R Committee on 27 July 2021, as were the following new budget additions during the year:

3.2.1 an additional £185k for Disabled Facilities Grant projects to align with the grant provided by central government;

3.2.2 an additional £8.5k for the Ashley Centre car park expansion joints project.

3.3 Actual expenditure on the core capital programme to the end of September 2021 and a full year forecast is summarised below:

Committee	2021/22 Current Approved Budget £'000	YTD Expenditure £'000	Forecast Outturn £'000	Forecast Variance £'000
Strategy & Resources	761	175	381	-380
Environment & Safe Communities	1,883	118	1,175	-708
Community & Wellbeing	1,506	209	1,284	-222
Total Core Capital Programme	4,150	502	2,841	-1,309

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- 3.4 On the core capital programme, projected expenditure for the full year is £2.841m, £1.309m less than the £4.15m budget. The main variances are: the replacement of EEBC street lamp columns project (£425k) which has been delayed due to limited resources; the Replacement of CRM and Data Warehouse project (£380k) which is subject to a procurement exercise; the Hogsmill streams repairs (£282k) the works for which are reliant on suitable weather conditions; the football pitch draining project (£90k) which is on hold whilst further investigations take place; and the Playhouse works (£128k), which are scheduled for August 2022. An update on progress of individual schemes is set-out in Appendix 1.

4 Financing of Capital Expenditure 2021/22

- 4.1 The financing of the 2021/22 core capital programme is summarised below:

Financing of Core Capital Programme	2021/22 Current Approved Budget £'000
Capital Receipts Reserves	922
Capital Grants-DFG	1150
Budgeted Revenue Contributions	264
Revenue Reserves	34
Section 106	153
Community Infrastructure Levy	1627
Total	4,150

5 Property Acquisition Funds

Commercial Property

- 5.1 The Council retains one in-Borough commercial property acquisition fund, which has a remaining balance of £49.6m available for investment. Please note, this is not a reserve that the Council holds; it is a limit (approved by Full Council) up to which borrowing could be undertaken.

Residential Property

- 5.2 In 2016/17, the Council established a £3m fund to purchase residential property, principally to assist the Council to manage homelessness and reduce associated costs. To date, no new purchases have been identified during 2021/22.

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5.3 The remaining balances on the Property Acquisition Funds are shown in the following table.

Property Acquisition Funds	Commercial Property (in-Borough) £0	Residential Property £0	Total £0
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	-19,206	-811	-20,017
Purchases during 2017/18	-5,148	-562	-5,710
Purchases during 2018/19	0	-257	-257
Purchases during 2019/20	-6,077	-20	-6,097
Purchases during 2020/21	0	-95	-95
YTD purchases during 2021/22	0	0	0
Fund balances at 30/09/2021	49,569	1,255	50,824

5.4 Of the Residential Property Acquisition Fund balance, £10.5k is earmarked to fund the remaining modifications required to 87 East Street (Defoe Court) to make it suitable for use as temporary accommodation, as agreed at S&R Committee in December 2018.

6 S106 Developer Contributions

6.1 The balance of S106 funds held by the authority are set out in the following table:

	£'000	£'000
Section 106 funds held as at 1 April 2021		2,668
Section 106 net receipts to 30 September 2021		0
Balance of S106 Funds held as 30 September 2021		2,668
Less:		
Funds held due to SCC and other organisations	-130	
Funds committed and approved for specific schemes	-245	
Funds allocated to Horton Chapel Arts and Heritage Society	-482	
		-857
Unallocated S106 funds as at 30 September 2021		1,811

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- 6.2 S106 agreements specify for what purpose the funds may be spent. The breakdown of current unallocated balances against the different categories is detailed in the following table:

Breakdown of unallocated S106 balances	£'000
Open Spaces	30
Affordable Housing	1,719
Open Space - Park & Gardens	7
Environmental Improvements	49
Community Facilities	4
Monitoring Charge	2
Total	1,811

- 6.3 The majority of S106 balances are within Affordable Housing; this funding is used to facilitate provision within the Borough where the development is not financially viable without additional funding. Planning officers work with providers to identify schemes where the affordable housing would not be deliverable without the additional support.

7 Community Infrastructure Levy

- 7.1 The Council generated £1.795m of Community Infrastructure Levy (CIL) for the period 1 April 2021 to 30 September 2021. This includes one sum for £1.27m for the Woodcote Grove site development.
- 7.2 Large sums are collected in instalments so not all the cash has been received at this date. Of the £914k of invoices raised but not yet collected, only £15k relates to financial years prior to 2020/21 and is being pursued by the Legal department.
- 7.3 5% is used for administering the scheme and 15% is ring fenced for a local spending fund comprising two schemes, a CIL Neighbourhood Scheme and a Borough Investment Fund. CIL balances are set-out in the following table:

	Main Fund (80%) £'000	Community Fund (15%) £'000	Admin Fee (5%) £'000	Total £'000
CIL funds held at 1 April 2021	6,809	1,382	227	8,418
CIL invoices raised to 30 Sept 2021	1,436	269	90	1,795

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Invoices outstanding at 30 Sept 2021	-731	-137	-46	-914
Receipt held as charge against property	-1	0	0	-1
CIL Payments made to 30 Sept 2021	-116	-97	0	-177
CIL Funds held at 30 September 2021	7,397	1,417	271	9,121
<i>Less commitments:</i>				
Plan E contribution	-1,011	0	0	-1,011
Stoneleigh Station	-500	0	0	-500
Replacement of EEBC Lamp Columns	-425	0	0	-425
Improvements to Great Dam	-75	0	0	-75
Borough Investment Fund	0	-71	0	-71
Civic Infrastructure Fund 2019/20	0	-40	0	-40
Civic Infrastructure Fund 2020/21	0	-127	0	-125
Civic Infrastructure Fund 2021/22	0	-250	0	-250
Monitoring CIL scheme in 2021/22	0	0	-59	-59
Unallocated CIL funds at 30 Sept 2021	5,386	929	212	6,565

7.4 To be eligible for funding from the CIL Main Fund (80%), schemes must meet the infrastructure types set-out in the Council's Regulation 123 list. The Joint Infrastructure Group should consider any eligible schemes and make recommendations to Strategy and Resources Committee who approve funding.

8 CIL Neighbourhood Scheme (15%)

8.1 A report to S&R Committee in April 2018 agreed a sum of £100k for a Borough Investment Fund. No bids for the Borough Investment Fund have been received in 2021/22 to date. There is still £71k of the original £100k allocation remaining.

8.2 The 2021/22 scheme is underway with the first stage assessment of bids having concluded with successful bids progressing to the second stage. The assessment of bids at this final stage is scheduled for 1 November, at which stage a decision will be made as to how funds will be allocated. Schemes which are allocated funding can then commence and progress will be included in the quarterly capital monitoring reports.

8.3 Expenditure and progress on the CIL Neighbourhood Scheme (15%) is detailed in Appendix 1.

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9 Capital Receipts

9.1 The expected balances of capital receipt reserves is shown below:

Capital Reserves	Capital Receipts Reserve £'000
Balance brought forward at 1 April 2021	4,050
Estimated use to fund the 2021/22 capital programme	-922
Earmarked for Residential Property Programme	-189
Allocated to Horton Chapel Arts and Heritage Society	-351
Capital receipts received to 30 September 2021	0
Estimated Balance at 31 March 2022	2,588

9.2 The Council's Medium Term Financial Strategy states the aim of maintaining a minimum uncommitted level of capital reserves of £1m.

10 Risk Assessment

Legal or other duties

10.1 Impact Assessment

10.1.1 The impact of each scheme is assessed during the capital bidding process.

10.2 Crime & Disorder

10.2.1 None arising directly from the contents of this report.

10.3 Safeguarding

10.3.1 None arising directly from the contents of this report.

10.4 Dependencies

10.4.1 None arising directly from the contents of this report.

10.5 Other

10.5.1 None arising directly from the contents of this report.

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11 Financial Implications

- 11.1 Financial implications are set-out in the body of the report.
- 11.2 **Section 151 Officer's comments:** Updated capital projections at Quarter 3 will be brought to Audit, Crime & Disorder and Scrutiny Committee in February 2022.
- 11.3 The process for setting the 2022/23 capital programme is underway and will report back to policy committees in January 2022.

12 Legal Implications

- 12.1 There are no direct legal implications arising from this report.
- 12.2 **Legal Officer's comments:** None arising from the contents of this report.

13 Policies, Plans & Partnerships

- 13.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.
- 13.2 **Service Plans:** The matter is included within the current Service Delivery Plan.
- 13.3 **Climate & Environmental Impact of recommendations:** None arising directly from the contents of this report. The impact of each scheme is assessed during the capital bidding process.
- 13.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.
- 13.5 **Partnerships:** None arising directly from the contents of this report.

14 Background papers

- 14.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Capital Budget Monitoring - Quarter 1 to this committee on 1 September 2021
- Budget Report to Full Council – 16 February 2021.

Other papers:

- None.