

CAPITAL BUDGET MONITORING QUARTER 3

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Wards affected:	(All Wards);
Appendices (attached):	Appendix 1: Update of Capital Project Progress

Summary

This report presents the Capital Monitoring position at Quarter 3 for the current financial year 2024/25.

Recommendation (s)

The Committee is asked to:

- (1) Receive the Capital Monitoring position at Quarter 3, 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 3 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 third quarter of 2024/25. 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.

3 Core Capital Programme

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

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Committee	2024/25 Original Budget £'000	Carry forwards from 2023/24 £'000	Additions during 2024/25 £'000	2024/25 Current Approved Schemes £'000
Strategy & Resources	250	972	0	1,222
Environment	490	565	41	1,096
Community & Wellbeing	1,211	850	2,552	4,613
Licensing & Planning Policy	0	0	0	0
Sub-total Core Capital Programme	1,951	2,387	2,593	6,931
Town Hall Relocation Project	7,000	0	0	7,000
Total	8,951	2,387	2,593	13,931

- 3.2 The Town Hall Relocation Project and 2024/25 core capital programme budgets were agreed by full Council in December 2023 and February 2024 respectively. The budgets carried forward from 2023/24 were approved at Strategy & Resources Committee on 23 July 2024.
- 3.3 There were several additions during 2024/25, including projects funded from UK Shared Prosperity capital funding (UKSPF) and Surrey Country Council Empty Homes Reallocation Funding. Within Environment Committee, SCC Empty Homes Reallocation funding of £41k was used for the purchase of three new electric vehicles for Meals at Home Service. The £2,552 additions within Community & Wellbeing Committee for 2024/25 are detailed in the table below:

Scheme	Funding	Amount £'000	Approval
DFG - additional grant received in 23/24	DFG Grant	68	DFG allocation
DFG - higher than budgeted allocation for 24/25	DFG Grant	72	DFG allocation
DFG - additional allocation announced Jan 25	DFG Grant	118	DFG allocation
Bourne Hall Windows Phase 1	UKSPF	201	UKSPF allocation
Epsom Playhouse Emissions reduction	UKSPF	310	UKSPF allocation
Bourne Hall Solar panel structure	UKSPF	50	UKSPF allocation

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Bourne Hall roof replacement and solar panel	SCC Empty homes	60	SCC Empty homes allocation
Temporary accommodation property	Residential property fund	828	Urgent decision 131
Fairview Road temporary accommodation	S106	435	S&R Committee Jan 2023
Bourne Hall Windows Phase 2	Capital receipts	410	Full Council Dec 2024
Total		2,552	

3.4 Actual expenditure on the core capital programme to the end of December 2024 and a full year forecast is summarised below:

Committee	2024/25 Current Approved £'000	YTD Expenditure £'000	Forecast Outturn £'000	Forecast Variance £'000
Strategy & Resources	1,222	203	796	(426)
Environment	1,096	825	924	(172)
Community & Wellbeing	4,613	2,483	3,151	(1462)
Licensing & Planning Policy	0	0	0	0
Sub-total Core Capital programme	6,931	3,511	4,871	(2,060)
Town Hall Relocation Project	7,000	85	164	(6,836)
Total	13,931	3,596	5,035	(8,896)

3.5 On the core capital programme, the forecast outturn for the full year is £4.9m. The forecast favourable variance of £2m comprises of:

3.5.1 Works expected to be delivered in 2025/26 - £426,000 on ICT projects, £307,000 on the Disabled Facilities Grant (DFG) scheme, £410,000 on Phase 2 Bourne Hall windows, £405,000 on the construction of three temporary accommodation units.

3.5.2 Schemes that have been paused - £170,000 on the Alexander Recreation Dojo scheme whilst additional funding is sought, and the two Wellbeing centre schemes totalling £120,000, pending completion of the Review of Community Services.

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- 3.6 Within Environment Committee schemes a number are forecast to complete with favourable variances: £65,000 on the Ashley Centre Barrier controlled parking system; £50,000 for the Bourne Hall solar panels as works have completed under the Bourne Hall roof replacement and solar panel project; £54,000 on the replacement streetlamp project; £40,000 on the Poole Road Pavilion roof replacement; and £23,000 on the sewerage contamination works at the Depot. These are offset by adverse variances on two schemes at the Ashley Car Park, £8,000 on the Expansion Joints Phase 2 scheme, and £2,000 on waterproofing joints to Level 4D.
- 3.7 The Town Hall Relocation Project has been added to the table above as a standalone item to enable it to be monitored separately.
- 3.8 Movements in the year-end forecasts since Q2 are detailed in the table below:

Committee	Forecast Outturn Q2 £'000	Forecast Outturn Q3 £'000	Change £'000
Strategy & Resources	773	796	23
Environment	987	924	(63)
Community & Wellbeing	2,811	3,151	340
Licensing & Planning Policy	0	0	0
Total Core Capital Programme	4,571	4,871	300

- 3.9 The change in forecasts are as follows:
- 3.9.1 Strategy & Resources - an increased forecast for ICT projects of £23,000.
- 3.9.2 Environment - a reduced forecast of £65,000 for Ashley Centre barrier-controlled parking system which nets against an increased forecast of £2,000 for the Sewerage Contamination works at Longmead depot.
- 3.9.3 Community & Wellbeing - an increased forecast for Disabled Facilities Grants of £300,000; an increased forecast of £10,000 for Bourne Hall roof repairs and solar panel and solar structure; and the insertion since quarter 2 of a temporary accommodation construction project forecasting to spend £30,000.
- 3.10 An update on the progress of individual schemes is set out in Appendix 1.

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4 Financing of Capital Expenditure 2024/25

4.1 The provisional financing of the 2024/25 core capital programme is summarised below:

Financing of Core Capital Programme	2024/25 Current Approved Budget £'000
Capital Receipts Reserves	1,973
Capital Grants-DFG	1,707
Budgeted Revenue Contributions	500
Revenue Reserves	828
Section 106	491
Community Infrastructure Levy	769
External Grant	663
Total	6,931

4.2 The Town Hall relocation will be principally funded either by a disposal of the existing Town Hall building, or income from an alternative business plan for the existing Town Hall site, with future options for the site due to go to Strategy & Resource committee in early Spring 2025.

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 borrowing headroom 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.

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

Property Acquisition Funds	Commercial Property (in- Borough) £000	Residential Property £000	Total £000
Opening fund balance	80,000	3,000	83,000
Purchases during 2016/17	(19,206)	(811)	(20,017)

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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)
Purchases during 2021/22	0	(238)	(238)
Purchases during 2022/23	0	(39)	(39)
Purchases during 2023/24	0	0	0
YTD purchases during 2024/25	0	(811)	(811)
Current commitments	0	(17)	(17)
Repurposing of funds	0	(150)	(150)
Fund balances at 31/12/2024	49,569	0	49,569

- 5.4 The expenditure to date on the Residential Property Fund relates to the purchase of temporary accommodation. The commitment of £17k is the balance of budget for this purchase to fund any remaining expenses that may arise before 31 March 2025.
- 5.5 At the November 2024 Strategy & Resources committee, it was agreed that the remaining balance of funds within the Residential Property Acquisition Fund should be repurposed to create a Residential Property Repair and Maintenance Reserve.

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 2024		1,823
Section 106 net receipts to 31 December 2024		3
Balance of S106 Funds held as 31 December 2024		1,826
Less:		
Funds held due to SCC and other organisations	(130)	
Funds committed and approved for specific schemes	(1,340)	
		(1,470)
Unallocated S106 funds as at 31 December 2024		356

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- 6.2 The balance of unallocated S106 balances are all 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.
- 6.3 The £1.34m funds allocated for specific schemes include:
- 6.3.1 £750k of Affordable Housing S106 funds to part match government grant of £1.5m under the Local Authority Housing Fund 3, as agreed at Strategy & Resources Committee on 12 November 2024.
 - 6.3.2 £435k of Affordable Housing S106 funds which has been earmarked for temporary accommodation use microhomes at Fairview Road;
 - 6.3.3 £56k remains of the £125k of Affordable Housing S106 funds agreed for the refurbishment of a flat for temporary accommodation;
 - 6.3.4 The remaining balance comprises of small schemes such as park bench and signage replacement and maintenance of play equipment.

7 Community Infrastructure Levy

- 7.1 The Council raised invoices totalling £799,498 for Community Infrastructure Levy (CIL) for the period 1 April 2024 to 31 December 2024.
- 7.2 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 2024	8,366	1,282	152	9,800
CIL invoices raised to 31 Dec 2024	639	120	40	799
Invoices outstanding at 31 Dec 2024	(288)	(54)	(18)	(360)
Receipt held as charge against property	(1)	0	0	(1)
CIL Payments made to 31 Dec 2024	(369)	(50)	0	(419)
CIL Funds held at 31 Dec 2024	8,347	1,298	174	9,819
<i>Less commitments:</i>				

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Stoneleigh Station – Step free access	(400)	0	0	(400)
Replacement of EEBC Lamp Columns	0	0	0	0
CIL Neighbourhood Fund 2022/23	0	(11)	0	(11)
CIL Neighbourhood Fund 2024/25	0	(332)	0	(332)
Monitoring CIL scheme in 2024/25	0	0	(103)	(103)
<u>Strategic CIL Fund in 2024/25</u>				
Ewell Village Public Realm Enhancements	(1,250)	0	0	(1,250)
Priest Hill Football Development – Full size 3G football pitch	(405)	0	0	(405)
New Clubhouse at Old schools Lane, Ewell	(100)	0	0	(100)
Unallocated CIL funds at 31 Dec 2024	6,192	955	71	7,218

7.3 Large sums are collected in instalments so not all the cash has been received at this date. Of the £799k of invoices raised but not yet collected, only £15k relates to financial years prior to 2024/25.

7.4 At its meeting on 17 October 2024, LPPC Committee recommended to S&R Committee that CIL funding allocations totalling £2.25m be approved. At the S&R committee meeting on 12 November 2024, strategic CIL funding allocations of £1.755m were approved and have been added as commitments in the table above.

8 CIL Neighbourhood Scheme (15%)

8.1 CIL 15% Neighbourhood Scheme projects are reported separately to Licencing & Planning Policy Committee. LPPC considered proposals for the 2024/25 scheme at its meeting on 17 October 2024 and S&R committee on 12 November 2024 approved neighbourhood CIL funding allocations of £332k. This amount has been added as commitments in the table above. Updates have been made through the Member News channel.

9 Capital Receipts

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

Capital Reserves	Capital Receipts Reserve £'000
Balance brought forward at 1 April 2024	3,808
Estimated use to fund the 2024/25 capital programme	(1,973)
Capital receipts received to 31 December 2024	130

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Estimated Balance at 31 March 2025	1,965
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- 9.2 During 2024/25, the Council has received a net receipt of £130k for a deed of easement to lift a restricted covenant on Council land off Kiln Lane.

10 Treasury Management Performance

- 10.1 At its November 2024 meeting, Financial Strategy Advisory Group received a report on the 2024/25 Mid-year Treasury Management performance. The meeting was preceded by annual Treasury Management training delivered by the Council's sector specialist Link Asset Solutions.
- 10.2 The report detailed that the average return from investments for 2024/25 was budgeted at 4.5%, amounting to total income for the year of £1,125,000, to be generated on reserves, working balances and cash flow.
- 10.3 The performance for the first six months of 2024/25 on the council's investments is as follows:

01 April to 30 September 2024	Average Investment £'m	Interest Receivable £'000	Average Rate of Return %
Internally Managed Funds			
Money Market Funds	14.47	368.7	5.09
Fixed Rate Deposits	15.00	392.9	5.24
Interest Bearing Account	0.09	1.3	3.01
Total	29.55	762.8	5.16

- 10.4 During the first half of the year, £762,845 of interest had been earned, overachieving the profiled budgeted target of £562,500 for the same period.
- 10.5 It noted that whilst the Council has been able to capitalise on greater returns available in the market for the first half of 2024/25, the forecast for base rates to drop from the current 5% (as at October 2024) to 4% by the end of the financial year.
- 10.6 In terms of performance on returns on cash balances, the average return achieved for the first six months of 5.16% compares slightly favourably with the average benchmark overnight SONIA (Sterling Overnight Index Average) rate of 5.12%.

11 Risk Assessment

Legal or other duties

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11.1 Equality Impact Assessment

11.1.1 The impact of each scheme is assessed during the capital appraisal process.

11.2 Crime & Disorder

11.2.1 None arising directly from the contents of this report.

11.3 Safeguarding

11.3.1 None arising directly from the contents of this report.

11.4 Dependencies

11.4.1 None arising directly from the contents of this report.

11.5 Other

11.5.1 Global events and rising inflation have caused firms to significantly increase their quotes for works, having a major impact on the Council's ability to source contractors within budget. This is likely to impact on both current and future capital projects.

12 Financial Implications

12.1 Financial implications are set out in the body of the report.

12.2 **Section 151 Officer's comments:** If members have a detailed question(s) on particular capital projects, it is requested that these be submitted in advance where possible, to enable officers to investigate with the relevant scheme manager.

13 Legal Implications

13.1 There are no direct legal implications arising from this report.

13.2 **Legal Officer's comments:** None arising from the contents of this report.

14 Policies, Plans & Partnerships

14.1 **Council's Key Priorities:** The following Key Priorities are engaged:

- Effective Council.

14.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

14.3 **Climate & Environmental Impact of recommendations:** The impact of each scheme is assessed during the capital bidding process.

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14.4 **Sustainability Policy & Community Safety Implications:** None arising directly from the contents of this report.

14.5 **Partnerships:** None arising directly from the contents of this report.

15 Background papers

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

Previous reports:

- [Budget Report to Full Council – 13 February 2024.](#)
- [Capital Budget Monitoring Quarter 1 – Audit & Scrutiny Committee on 26 September 2024.](#)
- [Capital Budget Monitoring Report Quarter 2 – Audit & Scrutiny Committee, 14 November 2024.](#)
- [Bourne Hall Windows Phase 2, Full Council, 10 December 2024.](#)

Other papers:

- [Residential property repair and maintenance fund report, Strategy & Resources Committee, 12 November 2024.](#)
- [Local Authority Housing Fund: Round 3 report, Strategy & Resources Committee, 12 November 2024.](#)
- [2024/25 Mid-year Treasury Management, Financial Strategy Advisory Group, 22 November 2024.](#)