

Surrey Heath Borough Council
Executive
19 July 2022

Capital Outturn and Prudential Indicators for 2021/22

Portfolio Holder:	Councillor Robin Perry- Finance
Strategic Director/Head of Service	Bob Watson
Report Author:	Tony McGuinness
Key Decision:	yes
Date Portfolio Holder signed off the report	1 July 2022
Wards Affected:	All

Summary and purpose

To provide the Executive with a high-level view of the capital outturn for 2021/22 and to approve the reprofiling of capital budgets to the remaining years of the programme and report on the actual performance against the 2021/22 capital prudential indicators.

Recommendation

The Executive is advised to RESOLVE that

- (i) Actual capital expenditure for 2021/22 of **£4.490 million** against a budget of **£14.024 million** be noted;
- (ii) The budget provision of **£8.492 million** be reprofiled from 2021/22 into 2022/23, as previously identified in the budget report in February to Council, and included in Annex A, be approved;
- (iii) The additional reprofiling of **£0.732 million** further identified at year-end (31 March 2022) and included in Annex A be approved;
- (iv) The additional expenditure of **£35,000** for urgent health and safety remedial works at the Camberley Theatre and included in **Annex A** be approved and this is funded from a revenue contribution in 2021/22; this combined with items (ii) and (iii) totals **£9.259 million** to be reprofiled into 2022/23;
- (v) the revised 2022/23 Capital Programme of **£10.360 million** comprising the **£1.101 million** of new budget agreed at the Council meeting in February 2022 plus **£9.259 million** of previously agreed budget reprofiled into 2022/23, be noted;

- (vi) The final capital prudential indicators for 2021/22 be noted; and
- (vii) Any comments and/or recommendations from the Performance and Finance Scrutiny Committee of 13 July 2022 be considered and noted.

1. Background and Supporting Information

- 1.1 This capital report allows Members to gain a more detailed understanding of the spend associated with the various projects included within the 2021/22 capital programme
- 1.2 The actual spend to the 31 March 2022 is £4.490 million which is 32% of the total programme of £14.024 million; this represents a net underspend of £0.310 million and reprofiling of £9.224 million. The detailed expenditure compared to budget by individual scheme is detailed in **Annex A**.
- 1.3 The forecast for year end expenditure at period 9 (31 December 2021) was £5.035 million. Following best value and practice across most of local government, the reduced outturn position is due to services reviewing the delivery of projects in the current economic climate of high inflation, increased material and labour costs around the construction sector in particular. This led to many projects being put on hold whilst their viability was re-assessed; the budgets have been reprofiled accordingly and these will be reviewed during the current financial year. As a result, directorates have made a number of requests for budgets to be rephased from 2021-22 to 2022-23, these are detailed in **Annex B**.
- 1.4 The prudential indicators for the financial year 2021/22 compared to 2020/21 are detailed in Annex C. The actual capital financing requirement (CFR) is the same as the budget at **£174 million**. The ratio of financing costs to net revenue stream is higher than anticipated due to lower levels of investment income being received in 2021/22.

2. Reasons for Recommendation

- 2.1 Part of strong financial management is that the revenue and capital budgets are reviewed regularly especially at the end of the financial year and reported to Performance and Finance Scrutiny Committee and the Executive for review and discussion.

3. Proposal and Alternative Options

- 3.1 The Executive is asked to note the report on the 21/22 capital budget for the period 1 April 2021 to 31 March 2022. If the rephasing of budgets is not approved, then it means that the previously agreed capital programme will not be delivered.

4. Contribution to the Council's Five Year Strategy

- 4.1 The budgets agreed at Council are aligned to and supports the approved five year strategy.

5. Resource Implications

- 5.1 The resource implications are detailed in this report

6. Section 151 Officer Comments:

- 6.1 Capital budgets are agreed and set for the project/programme and are not always limited to a single financial accounting year. Rephasing and reprofiling of previously agreed budget is not uncommon in many councils.
- 6.2 Any project that has been delayed will need to have a full review of its original business case, its cost projection and overall viability before it is commenced.
- 6.3 Building on the original budget papers in February, the capital programme has been scaled back to allow rephased projects to be completed.

7. Legal and Governance Issues

- 7.1 The Strategic Director of Finance and Customer Services will monitor performance against the Council's budget on an on-going basis and will advise upon the Council's overall financial position.
- 7.2 Section 2.7.1 of the Financial Regulations confirms that the Executive must approve capital bids and accordingly the Executive should be informed of the capital outturn for the full year 21/22.

8. Monitoring Officer Comments:

- 8.1 No further comments from the Council's Monitoring Officer.

9. Other Considerations and Impacts

Environment and Climate Change

- 9.1 Details of these are in the individual service areas the budgets support

Equalities and Human Rights

- 9.2 Details of these are in the individual service areas the budgets support

Risk Management

- 9.3 Regular financial monitoring of the revenue budget enables risks and budgetary pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken.

Community Engagement

- 9.4 Where necessary engagement will be taken through individual service the budgets support

Background Papers

None

Annexes:

- Annex A. Capital Programme for 2021/22
Annex B. List of budgets to be rephased into 2022/23
Annex C. Prudential indicators

Annex A

CAPITAL PROGRAMME 2021/22

	B/Fwd from 2020/21	Approved Bids 2021.22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Year end Forecast at p9	Proposed Re- Phasing into 2022/23	Initial Budget 2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Investment & Development</u>								
1	0	754	754	432	322	432	322	
2	0	1,460	1,460	49	1,412	48	1,412	
3	0	90	90	34	56	50		
4	2,343	0	2,343	0	2,343	0	2,343	
5	3,128	630	3,758	157	3,600	157	3,600	
6	81	0	81	63	18	85	0	
7	300	-300	0	0	0	0	0	
8								55
9	49	0	49	49	0	51	0	
10	25	0	25	0	25	0	25	
Sub Total	5,926	2,634	8,560	785	7,776	823	7,703	55
<u>HR Performance and Communications</u>								
11	10	-10	0	0	0	0	0	
12	0	25	25	0	25	25	0	
13	0	13	13	13	0	13	0	
14	0	100	100	100	0	100	0	
15								11
16	0	91	91	0	91	0	91	
Sub Total	10	219	229	113	116	138	91	11

	B/Fwd from 2020/21	Approved Bids 2021.22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Year end Forecast at p9	Proposed Re- Phasing into 2022/23	Initial Budget 2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Environment and Community</u>								
17	42	0	42	0	42	0	0	
18	0	105	105	0	105	0	105	
19	120	75	195	214	-19	214	0	
20								74
21								110
22								41
23	6	0	6	4	2	0	0	
24	19	0	19	0	19	10	19	
25	54	0	54	0	54	54	54	
26	7	0	7	0	6	7	6	
27	20	50	70	70	0	70	0	
28	0	28	28	28	0	28	0	
29	77	0	77	77	0	77	0	
30	25	0	25	0	25	0	25	
31	134	0	134	0	134	0	134	
32	0	7	7	4	3	4	0	
33	0	45	45	0	45	0	45	
34	2,219	0	2,219	1,932	287	1932	0	
35	166	0	166	8	158	74	158	
36	0	70	70	70	0	70	0	
37							35	
38	40	0	40	42	-2	42	40	
39	0	127	127	0	127	0	127	
40	755	780	1,535	871	665	1220	665	780

	B/Fwd from 2020/21	Approved Bids 2021.22	Total 2021/22 Programme	Current Spend & Commitments	Funds Available	Year end Forecast at p9	Proposed Re- Phasing into 2022/23	Initial Budget 2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
41 Openspace Works	2	0	2	0	2	0	0	
42 Drainage Works	60	0	60	7	53	7	53	
43 128 London Rd (Connaught Court)	50	0	50	91	-41	91	0	
44 151 Gordon Avenue (Night Stop)	0	152	152	174	-23	174	0	
Sub Total	3,797	1,439	5,235	3,593	1,642	4,074	1,465	1,005
Finance and Customer Services								
45 Civica Cash Management Module								30
Sub Total	0	0	0	0	0	0	0	30
GRAND TOTAL OF ALL SCHEMES	9,732	4,292	14,024	4,490	9,535	5,035	9,259	1,101

Annex B

Capital Scheme	Rephasing identified at Feb 22 Council	Year-end rephasing	Additional scheme	Purpose	Reason for carry forward
	£000	£000	£000		
Public Realm Works	322			This will improve access into the town centre and provide opportunities for public realm improvements for Camberley Town Centre set out in the Council's adopted Camberley Town Centre Area Action Plan	Complete except for a small retention The Public realm project is now finished and there will be a final invoice in August following issue of the Defects Certificate
Cambridge Square Refurbishment	1,412			Refurbishment of Cambridge Square	The project has been paused pending viability review
Investment Property Acquisition	2,343			To acquire property in accordance with the property acquisition strategy.	Where properties are offered which meet requirements outlined in strategy, acquisition will be considered.
London Rd Block	3,600			To redevelopment and regenerate the London Road area of Camberley town centre.	The original project plans have been put aside and new plans/Idea's are been produced Project placed on hold Jan 22
Boiler Hudson House	25			Scheme to install a boiler in warehouse which is currently been marketed	Work started In April 2022 and was completed in May 2022. A purchase order has been raised for £19,750 plus VAT

Capital Scheme	Rephasing identified at Feb 22 Council	Year-end rephasing	Additional scheme	Purpose	Reason for carry forward
	£000	£000	£000		
Door access	91			The current door access system is obsolete and is running on 20 year old + technology	The work has been delayed the reason for this is that the Council could move out of Surrey Heath House and we don't to make an unnecessary purchase. However due to the security of the building and the age of the current equipment a scaled back replacement is being explored with providers.
Frimley lodge car park capacity increase		105		Frimley Lodge Park is a busy park, the infrastructure of the park no longer capable to meet the ever-increasing demand	This capital project has been pulled as the requested value was way below the expected build cost. I believe we have £105k in the budget but the works are likely to cost in the region of £300-400k following analysis with drainage specialists and contractors.

Capital Scheme	Rephasing identified at Feb 22 Council	Year-end rephasing	Additional scheme	Purpose	Reason for carry forward
	£000	£000	£000		
Deanside DR Woods Play Area		19		Works to the play area at Deanside woods	Original work on hold - New proposal for site to increase the existing woodland into a large SANG that serves Camberley. New management plan being developed to deliver improvement works. Awaiting quotation (£4k). Woodland Improvement scheme agreed for these woods that will be commencing shortly (no cost to SHBC)
Mytchett Skate Park		60		Improvements at the skate park	Works have commenced on site
Whitmoor Rd	25			Works to replace the playground	Land Transfer agreed. Financial contribution agreed with County. still waiting for the County Council to finalise the agreement and the transfer take place , this budget will need to be carried forward into 2022/23 to be added to the transfer value so we can afford to replace the whole playground.

Capital Scheme	Rephasing identified at Feb 22 Council	Year-end rephasing	Additional scheme	Purpose	Reason for carry forward
	£000	£000	£000		
Watchetts Recreation Ground Tennis & Netball	134			Improvement to sports facilities	External funding has been agreed, in principal, for a borough wide tennis facility with the LTA. This will take the form of match funding and the work is expected to start in the first quarter of 2022/23. This work will include the purchase and installation of floodlights and surface marking for netball
Camberley Bowls Club	45			Refurbishment of Bowls Club as a result of the renewal of the lease	Expected to be finished in December 2022. There will be an additional cost of c £10k equating to a total project cost of £55k
Green Spaces - Increased Security Measures		158		To install increased security measures at a number of open spaces sites within the Borough.	Greenspace are currently obtaining quotations for the three final sites on the red list.
Health and safety works for the Camberley theatre			35	Necessary health and safety works	£24k has been committed in first 3 months of 2022-23, works in progress
Travellers' Sites - Contribution	127			To improve the facilities for the travelling community in the district	Work is progressing. However, SCC are awaiting a planning decision on the sites and SHBC contribution is expected to be made in 2022/23.

Capital Scheme	Rephasing identified at Feb 22 Council	Year-end rephasing	Additional scheme	Purpose	Reason for carry forward
	£000	£000	£000		
Community Bus		40		To support elderly and vulnerable people to live independently in their homes	Whilst there isn't an intention to routinely replace a vehicle in 2022/2023, which would mean that the capital spend could be deferred to 2023/2024, it has been agreed by the Chief Executive that this amount of money can be used to potentially pursue match funding opportunities for electric vehicles, with the County Council. Work on this is ongoing but as a result for the time being at least will need to stay in the budget for 2022/2023.
Renovation Grants	315	350		Provision of adaptations and improvement to the homes of vulnerable residents	The grant awarded in 2021/22 has not all be allocated partially due to Covid and this has been carried forward to 2022/23
Drainage works	53			To provide funding for drainage works and flood alleviation	The progress of works has been delayed resulting in expenditure in 2022/23
Total	8,492	732	35	Grand total to rephase	9,259

Annex C

	2020/21 Actual	2021/22 Original Budget	2021/22 Actual	
Capital Expenditure	£24.162 million	£14.024 million	£4.49 million	The Council's capital expenditure was impacted by the pandemic and other factors as detailed in the report.
Capital Financing Requirement as at 31 st March	£176 million	£174 million	£174 million	The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council's debt position.
Ratio of Financing Costs to Net Revenue Stream	30.66%	19.24%	23.96%	This is an indicator of affordability and is the ratio of the Council's General Fund capital financing costs to its net revenue budget in percentage terms.
Operational Boundary	£230 million	£230 million	£230 million	The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt.
Authorised Limit	£235 million	£235 million	£235 million	The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe.