

Surrey Heath Borough Council
Executive
21 November 2023

Capital Budget 2023/24
Budget Management report – Quarter 2

| | |
|--|--|
| Portfolio Holder: | Clr Leanne MacIntyre – Performance and Finance Portfolio |
| Strategic Director | Bob Watson - Strategic Director Finance and Customer Service |
| Report Author: | Sarah Ball - Capital Finance Business Partner |
| Key Decision: | No |
| Date Portfolio Holder signed off the report | 1 November 2023 |
| Wards Affected: | All wards |

Summary and purpose

To provide the Executive with a summary of the Council's progress against the 2023/24 capital programme and budget for the first half of the financial year (FY), the period 1 April 2023 to 30 September 2023.

Recommendation

The Executive is advised to RESOLVE that

- (i) the spend against the approved capital programme for the period 1 April to 30 September 2023 be noted; and
- (ii) the proposed reprofiling of budgets to future years be agreed.

1. Background and Supporting Information

- 1.1 This is the first monitoring report against the 2023/24 approved capital programme and budget as at the 30 September 2023.

- 1.2 At the end of Quarter 2 the total spend and commitments to spend were **£2.209 million** against an approved budget of **£13.219 million**, which amounts to **16.7%**.
- 1.3 There is a forecast underspend for the year of **£7.800 million** of which **£7.563 million** will be profiled into future years.
- 1.4 Executive is asked to approve the reprofiled budget, and to note that the revised planned expenditure against the programme for 2023/24 will be **£5.419 million**.
- 1.5 The majority of projects to be reprofiled to later years relate to Property and Economic Development initiatives, where it can be seen that of the £7.800 million reprofiled, £7.411 million relates to just four schemes, as shown in the table below:

| Reprofiled Scheme | Reprofiled Amount £million |
|--------------------------------|-------------------------------|
| London Road Block | 3.312 |
| Property Acquisition Strategy | 2.343 |
| Cambridge Square Refurbishment | 1.407 |
| Ashwood House Public Realm | 0.349 |

- **London Road Block £3.312 million** – the total expenditure required for this programme is currently under review, and may result in a further capital bid. Work is currently underway to review these schemes. It is likely that the reprofiled expenditure and new expenditure will happen over the course of 2024/25 and 2025/26. This project relates to the acquisitions of sites and demolitions required to accumulate and prepare the site for future regeneration.
 - **Property Acquisition Strategy £2.343 million** – a scheme on which there has been no expenditure to date, and there are not any potential sites currently identified for purchase in-year. This capital budget was originally agreed in 2017/18 and 2018/19 and is for strategic acquisitions; there is no certainty of when this may be spent.
 - **Cambridge Square Refurbishment £1.407 million** - this is a scheme agreed prior to the COVID-19 pandemic and was put on hold during the pandemic. The service are currently reviewing the whole scheme.
 - **Ashwood House Public Realm £0.349 million** – this scheme is delayed due to resourcing issues and now requires a new growth bid in 2024/25 due to increased cost of scheme.
- 1.5 A summary of the capital programme and expenditure by Service Area is provided in the table below. A detailed breakdown of the 2023/24 capital programme and expenditure is included at Annex A.

| Service Area | B/Fwd from 2022/23 | Adj To 2022/23 | Approved Bids 2023/24 | Additional New Schemes Approved in a Year | Total 2023/24 Programme | Current Spend & Commitments | Forecast Spend | Q2 Forecast Overspend/ (Underspend) | Reprofile to Later Years |
|--|--------------------|----------------|-----------------------|---|-------------------------|-----------------------------|----------------|-------------------------------------|--------------------------|
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Property & Economic Development | 7,729 | 0 | 810 | 1,309 | 9,848 | 512 | 2,369 | (7,479) | 7,461 |
| Environment & Community HR, Performance & Communications | 1,052 | 151 | 1,583 | 94 | 2,880 | 1,602 | 2,614 | (266) | 97 |
| Finance & Customer Services | 15 | 0 | 136 | 0 | 151 | 74 | 142 | (9) | 0 |
| Planning | 23 | 0 | 0 | 0 | 23 | 19 | 23 | 0 | 5 |
| | 13 | 40 | 10 | 0 | 63 | 2 | 17 | (46) | 0 |
| Grand Total All Capital Schemes | 8,832 | 191 | 2,539 | 1,403 | 12,965 | 2,209 | 5,165 | (7,800) | 7,563 |
| Capital Contingency | 0 | 0 | 254 | 0 | 254 | 0 | 254 | 0 | 0 |
| Grand Total All Capital Schemes | 8,832 | 191 | 2,793 | 1,403 | 13,219 | 2,209 | 5,419 | (7,800) | (7,563) |

2. Reasons for Recommendation

- 2.1 It is imperative for strong financial management that the capital budgets are reviewed regularly and reported on a quarterly basis to both the Performance and Finance Scrutiny Committee and the Executive.

3. Proposal and Alternative Options

- 3.1 The Executive is asked to note the report on the 2023/24 Capital Budget for the period 1 April to 30 September 2023.
- 3.2 The Executive is also asked to agree the reprofiling of budgets to later years, with the proviso that, if required in year, the reprofiled budgets can be adjusted back and reported to Executive in subsequent reports.

4. Contribution to the Council's Five Year Strategy

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

5. Resource Implications

- 5.1 The original capital programme was set at Council in February 2023 and included budget for new projects and the reprofiling of budgets from prior years to allow projects to complete.

6. Section 151 Officer Comments

- 6.1 The Council continues to spend on its capital assets and infrastructure. The year-end position is still fluid due to market conditions, however it is considered that no remedial action needs to be taken at this point in time as a number of projects that currently reporting minimal or no spend at present are still anticipated to complete by the end

of the financial year.

- 6.2 There are some major projects in the Property and Economic Development service with significant budgets that are currently under development (for example the London Road site) that will need to have budget profiled to match the expected expenditure; this piece of work will be completed in time for the third quarter report.
- 6.3 Budgets will be continued to be monitored and there is a potential requirement to drawdown some of the central capital contingency. This will be confirmed and reported in the Quarter 3 monitoring report.
- 6.4 As the Council continues with its review of its finances and stabilisation of its processes, it is intended that the capital programme for the period 2024/25 to 2027/28 will be subject to a full review to determine the validity in the current economic climate of some of the schemes being reprofiled. This will mean that some schemes as previously proposed will be dropped and replaced with more relevant and updated capital bids to the programme.

7. Legal and Governance Issues

- 7.1 The Capital budget is monitored monthly and reported to senior management and discussed with Portfolio Holders by their senior managers; it is also reported to Executive and Performance and Finance Scrutiny Committee quarterly from Quarter 2 onwards.

8. Monitoring Officer Comments:

- 8.1 The Committee's terms of reference includes the function to monitor, review and to report to the Leader/ Executive in relation to the performance of the Council's services.

9. Other Considerations and Impacts

Environment and Climate Change

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

Equalities and Human Rights

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

Risk Management

- 9.3 Inadequate budget monitoring represents a reputational and financial risk to the Council.
- 9.4 Regular financial monitoring enables risks and budgetary pressures to be highlighted and addressed at an early stage so that mitigating actions can be taken.

Community Engagement

9.5 Where necessary engagement will be taken through individual service areas the budgets support.