

Surrey Heath Borough Council
Performance and Finance Scrutiny Committee
6 March 2024

Capital Budget 2023/24
Budget Management report – Quarter 3

Portfolio Holder:	Clr Leanne MacIntyre – Performance and Finance Portfolio
Strategic Director	Bob Watson - Strategic Director Finance and Customer Service
Report Author:	Kaha Olad - Capital Finance Business Partner
Key Decision:	No
Date Portfolio Holder signed off the report	26 February 2024
Wards Affected:	All wards

Summary and purpose

To provide the Committee with a summary of the Council's progress against the 2023/24 capital programme and budget for the first three quarters of the financial year (FY), the period 1 April 2023 to 31 December 2023.

Recommendation

The Committee is advised to RESOLVE that:

- (i) That the spend against the approved capital programme for the period 1 April to 31 December 2023 be noted; and
- (ii) To note the proposed reprofiling of budgets to future years.
- (iii) To make any comments and recommendations to the Executive to be considered at their meeting on 19 March 2024.

1. Background and Supporting Information

- 1.1 This is the second monitoring report against the 2023/24 approved capital programme and budget as at the 31 December 2023.
- 1.2 At the end of Quarter 3 the total spend and commitments to spend were **£4.105 million** against an approved budget of **£15.951 million**, which amounts to **25.7%**.
- 1.3 There is a forecast underspend for the year of **£7.641 million** of which **£7.484 million** will either be profiled into future years or given up and replaced with the revised capital programme approved at Council on 21 February 2024.
- 1.4 Executive is asked to provisionally approve the reprofiled budget, and to note that the revised planned expenditure against the programme for 2023/24 will be **£8.310 million**. Final approval of reprofiling will be determined and requested in the capital outturn report following the end of the financial year.
- 1.5 . A summary of the capital programme and expenditure by Service Area is provided in Table 1 below. A detailed breakdown of the 2023/24 capital programme and expenditure is included at Annex A.

Table 1 – Capital Programme 2023/24

	Total 2023/24 Programme	Current Spend & Commitments	Forecast Spend	Q3 Forecast Overspend/ (Underspend)	Reprofile to Later Years
Service Area	£000's	£000's	£000's	£000's	£000's
Property and Economic Development	9,848	585	2,474	(7,374)	7,362
Environment & Community	5,861	3,423	5,654	(207)	117
HR, Performance & Communications	151	74	142	(9)	0
Finance & Customer Services	28	19	23	(5)	5
Planning	63	4	17	(46)	0
Grand Total All Capital Schemes	15,951	4,105	8,310	(7,641)	7,484
Capital Contingency	254	0	93	(161)	0
Grand Total All Capital Schemes	16,205	4,105	8,403	(7,802)	7,484

- 1.6 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 **£7.484 million** reprofiled, **£7.312 million** relates to just four schemes, as shown in Table 2 below:

Table 2 – Major Underspends Reprofiled

Reprofiled Scheme	Reprofiled Amount £million
London Road Block	3.262
Property Acquisition Strategy	2.343
Cambridge Square Refurbishment	1.407
Ashwood House Public Realm	0.300
Total High Value Reprofiled	7.312

- **London Road Block £3.262 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. **This will be required in future years and the reprofiled amount is included in the new capital programme.**
- **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. **This has not been reprofiled in the new capital programme and is likely to be surrendered. Future acquisitions will be subject to their own independent business case and budget request.**
- **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. **The new capital programme contains budget for works around the town centre regeneration which will include these projects.**
- **Ashwood House Public Realm £0.300 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. **The new capital programme contains a revised project budget for these regeneration public realm works.**

1.7 Of the underspend **£7.641 million** in year, **£7.484 million** has been reprofiled to future years (as shown above) and the remaining **£0.157 million** relates to underspends on completed schemes surrendered by Services, see Table 3 below:

Table 3 – Surrendered Scheme Budgets

Project Code	Project Names - Class Code - As per CIVICA	Surrendered Underspend £ million
C0701	Pennypot Lane	(0.040)
C1437	Replacement of Elect Distrib Boards at SHH	(0.012)
C2047	Watchetts & Frimley Gr Rec Ground Tennis & Netball	(0.088)
C2052	Frimley Lodge Fitness Trail	(0.001)
C2601	Hérons Court Lake	(0.006)
C1142	Xcam 360 imagery from Geosphere	(0.009)
C2065	Water Bowser	(0.004)
Total Surrendered Underspends		(0.159)
Overspends		0.002
Net Underspends Surrendered		(0.157)

1.8 The figures above exclude the use of the Capital Contingency. As at 31st December 2023 there is planned use of the £254,000 Capital Contingency as follows:

Table 4 – Capital Contingency

	£
Capital Contingency Available	254,000.00
Use of Capital Contingency:	
C2071 Power Station Removal from London Road Recreation Ground	7,551.88
Car Parking Urgent Projects Where Insufficient Capital Maintenance Budget Available	85,371.00
Total Use of Capital Contingency	92,922.88
Capital Contingency Not Allocated to Capital Projects	161,077.12

1.9 The Capital Maintenance Budget £117,606 has been used to fund approved urgent projects where this has insufficient funds the Capital Contingency Budget has been approved to be used to support the funding. The projects to be funded from the Capital Maintenance Budget are as follows:

Table 5 – Capital Maintenance Budget

	£
Capital Maintenance Budget	117,606
Projects to be Funded from Capital Maintenance Budget	
C2049 Camberley Bowls Club Forecast Overspend	15,000
Main Square CP Upgrade Fire Systems	50,000
63a High Street Bagshott	40,000
Electrical Switch Gear - Main Square Car Park	85,000
Level 5 Barrier	7,577
CIVICA Cash Management upgrade Overspend	5,400
Total Use of Capital Maintenance Budget	202,977
Insufficient Capital Maintenance Budget to be Funded from Capital Contingency	85,371

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 Committee is asked to note the report on the 2023/24 Capital Budget for the period 1 April to 31 December 2023.

3.2 The Committee is asked to make any comments and recommendations to the Executive to be considered when they review the report at their meeting on 19 March 2024.

3.3 Alternatively, the Committee can just note the report and not make any recommendations to the Executive.

4. Contribution to the Council's New Strategy

4.1 The budgets agreed at Council on 21 February 2024 are aligned to and support the approved new 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; the new capital programme approved at Council on 21 February 2024 includes an element of this reprofiled budget.
- 6.3 As the Council continues with its review of its finances and stabilisation of its processes, the capital programme for the period 2024/25 to 2027/28 was subjected to a full review to determine the validity in the current economic climate and also the deliverability of some of the schemes being reprofiled. This has meant that some schemes as previously proposed have been removed from the programme and replaced with more relevant and updated capital schemes in the programme.
- 6.4 The new programme was approved at Council on 21 February 2024 and will commence in the next financial year. In developing this programme due consideration was given to the budget profile of the projects and ensuring the proposed programme is deliverable in the years it covers.

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.

9.5 All major projects (by value or reputational risk) will have their own risk register and these will feed into the service and corporate risk registers.

Community Engagement

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