

Capital Outturn 2023/24

Report of the Finance and Resources Portfolio Holder

Recommended:

That the updated Capital Programme, as shown in the Annex to the report, be approved.

SUMMARY:

- This report summarises expenditure on the Capital Programme in 2023/24 and explains the reasons for variances from the forecast.
- The report makes recommendations for the carry forward of certain unspent capital budgets into 2024/25 and provides an updated capital programme for 2023/24 to 2025/26.

1 Introduction

- 1.1 The progress of the Capital Programme is reported to Cabinet regularly throughout the year. The most recent update was presented on 28th February 2024.
- 1.2 The purpose of this report is to present the final 2023/24 expenditure for the Capital Programme and explain significant variances compared to the estimated expenditure for the year. The report also updates the expected budget for 2024/25 and 2025/26 and incorporates approvals for new expenditure since the last update.
- 1.3 Any carry forward of unspent budgets from 2023/24 and other changes in the programme have been considered in updating the cost and phasing of schemes within the updated programme presented for approval.

2 Background

- 2.1 The main issues in this update relate to changes in the cost or phasing of existing schemes and changes to the level of capital resources that will influence the way in which the programme is financed.
- 2.2 Forecasting the future balance on the Capital Receipts Reserve is more difficult than usual due to the uncertainty of the timing of Levelling-Up Fund grant funding and its links to future, as yet unapproved, costs related to the delivery of regeneration projects.

3 Capital outturn 2023/24

- 3.1 The Annex provides details of the revised estimate for individual schemes in 2023/24 and the actual amount that was spent in the year. It also shows an updated estimate of the remaining costs and timescale of all projects in the Capital Programme.
- 3.2 Overall, the Capital Programme has spent £5.8M against an estimate of £9.0M during the 2023/24 financial year.
- 3.3 The following table shows how the overall variance (with removal of unidentified projects budget for 2023/24) of £3.2M in 2023/24 is broken down between Services:-

Service	Estimate £'000	Actual £'000	Variance £'000
Asset Management Projects	2,088.0	1,135.1	(952.9)
Community and Leisure	789.2	375.0	(414.2)
Community Infrastructure Levy Projects	304.4	866.7	562.3
Property and Asset Management	361.6	194.7	(166.9)
Project Enterprise	186.0	(86.2)	(272.2)
Planning, Policy and Economic Development	1,649.5	361.4	(1,288.1)
Housing and Environmental Health	3,648.0	2,932.8	(715.2)
Environmental Service	9.4	0.0	(9.4)
Total	9,036.1	5,779.3	(3,256.8)

- 3.4 The main reasons for the variance in the year are explained in the following paragraphs.

3.5 Asset Management Projects

- 3.5.1 The Asset Management Plan was last reported to Cabinet on 15th November 2023. This identified the Council's requirement for maintaining its asset base over three categories; land and property; vehicles and plant and IT equipment.

3.5.2 The budgets approved cover both revenue and capital items, with the capital element introduced to the Capital Programme. All costs are to be met from the Asset Management reserve.

3.5.3 Overall, capital expenditure in the year was £952,900 less than budgeted. Detailed explanations of variances within the Asset Management Plan for 2023/24 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

3.6 Community and Leisure

3.6.1 The Community and Leisure capital programme has a variance of £414,200 against the forecast of £789,200.

The main reasons for this are:

3.6.2 The Community Asset Fund (CAF) is showing a variance for 2023/24 due to the timing of grant applications - applicants have a total of two years in which to claim approved grants. A total of £382,400 has been carried forward into 2024/25.

3.6.3 Fishlake Meadows – £20,000 has been carried forward into 2024/25 due to contractor availability.

3.6.4 Public Art Projects

- Broadleaf Public Art and Picket Twenty Extension Public Art were approved in year as additions to the Capital Programme and were started in 2023/24 and due to be completed in 2024/25.

3.7 Community Infrastructure Levy (CIL) Projects

- The majority of CIL funded projects are controlled by the local Parish Councils, so TVBC have no control over timings etc. There are a few projects that have now been completed in 2023/24 that were due to complete in 2024/25 amounting to £562,300 and a few small changes from 2023/24 into 2024/25.
- Kings Somborne project is now complete and has achieved a small saving of £2,100 which will be returned to the CIL reserve.

3.8 Property and Asset Management

3.8.1 Multi Storey Car Park Lighting Refurbishment – this has been deferred to 2024/25 to be combined with the AMP concrete repairs tender.

3.8.2 Public Sector Decarbonisation Scheme (PSDS) – Bourne House – the project is now completed and is £1,700 below the updated estimate reported in February. The overall cost of the project was significantly lower than that initially approved by Council in November 2022. Part of this reduction in cost is offset through a smaller grant being available through the PSDS scheme. The overall net impact on the Council's contribution is that £85,700 will be drawn from reserves compared to the original forecast of £217,800.

3.8.3 Changing Places Toilet Facilities – in February it was reported that the cost of the scheme was to be £170,000 and spent across 2023/24 and 2024/25. The cost of the scheme is now estimated to be £96,200 as one of the three previously identified sites cannot be delivered within the grant funding timeframe. Grant funding is still in place and officers will seek the maximum amount of contribution possible for the project.

3.9 Project Enterprise

3.9.1 Creditors of £113,500 were entered in 2022/23 in respect of Walworth Business Park projects for final post-completion project costs which are no longer required; therefore, this sum is being added back into capital reserves.

3.9.2 Information on other projects relating to Project Enterprise will be reported to Cabinet in July.

3.10 Planning Policy and Economic Development

3.10.1 A budget of £121,000 was budgeted in 2023/24 for potential projects relevant to the Shared Prosperity Fund. Costs amounted to £55,400 so the remaining balance is recommended to be carried forward into 2024/25. £40,000 of the total grant that was initially expected to be capital expenditure will now form part of the revenue element of that grant stream. The overall capital cost is therefore reduced in the Annex.

3.10.2 Similarly, £128,500 was budgeted in 2023/24 for projects relevant to the Rural England Prosperity Fund. No costs have been incurred so this amount is recommended to be carried forward to 2024/25.

3.10.3 Western Avenue Riverside Park is progressing well, and the budget has been re-aligned to the latest project timetable up to 2025/26.

3.11 Housing and Environmental Health

3.11.1 The annual budgets for Renovation and Minor Works Grants and Disabled Facilities Grants are an agreed budget on the amount that the Service can commit to individual grants plus any outstanding grant commitments from previous years. The former of these grants are discretionary and are funded from the Capital Receipts Reserve. £22,500 of a forecast £70,000 has been spent this year, leaving a variance of £47,500.

3.11.2 Disabled Facilities Grants are a statutory requirement and require a referral from an Occupational Therapist, therefore, it is difficult to predict the amount of referrals in one year. Some works require planning permission before the adaptations can be completed. For 2023/24 there is a total spend of £831,500 against a budget of £870,000. As these grants are funded by the Better Care Fund, there has been no impact on the Capital Receipts Reserve.

3.12 Environmental Service

3.12.1 Budgeted costs for the required changes to Portway and Bourne House depots in respect of the national waste reforms are recommended to be carried forward to 2024/25.

4 Capital Programme Update

- 4.1 A comparison of the latest phasing of the capital programme compared with the budget approved in February (less 2023/24 unidentified projects) is shown in the following table:-

	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
February Programme	9,036.1	20,536.2	5,169.2	34,741.5
Current Programme	5,779.3	22,882.8	12,001.0	40,663.1
Increase / (Decrease)	(3,256.8)	2,346.6	6,831.8	5,921.6

- 4.2 The increase of £5,921,600 is broken down in the table below.

	February Programme £'000	Current Programme £'000	Increase / (Decrease) £'000
Asset Management Projects	4,598.1	4,799.8	201.7
Community and Leisure	3,529.3	3,632.4	103.1
CIL funded projects	2,410.4	2,412.7	2.3
Property and Asset Management	855.4	773.4	(82.0)
Project Enterprise	2,934.0	2,672.8	(261.2)
Planning Policy and Economic Development	12,984.1	17,944.1	4,960.0
Housing and Env. Health	5,398.0	6,395.9	997.9
Environmental Service	2,032.2	2,032.2	0.0
Total	34,741.5	40,663.1	5,921.6

- 4.3 The overall AMP budget requirement has increased by £201,700 and is discussed in a separate report on this agenda.
- 4.4 The total budget for Community and Leisure has increased by £103,100 mainly due to the additions of Public Art which is funded by S106.
- 4.5 Property and Asset Management service funding adjustments have been detailed in paragraphs 3.8.

- 4.6 Project Enterprise savings have been detailed in paragraphs 3.9.
- 4.7 Planning Policy and Economic Development – one project has been added to the programme since the February update, Architectural Services for Romsey Bus Station and Western Avenue has increased by £3M as agreed by Council on 29th February 2024 (minute 473).
- 4.8 Disabled Facilities Grants/Loans (DFG) – the 2024/25 budget has been increased by £500,000 from that reported in February mainly due to increased demand. This has arisen due to some of the staff costs being capitalised and with the additional resources more grants have been processed. They are funded by the Better Care Fund, therefore there is no impact to the Capital Receipts Reserve.

5 Resource Implications

- 5.1 The level of capital spending is entirely dependent on the resources that are available to finance the programme. The ability to add new schemes to the programme is influenced by forecasts of future resources. However, once a scheme is in the programme it is assumed that it will be completed and financed irrespective of whether resource forecasts are entirely accurate.
- 5.2 This means that any shortfalls in resources are either made good initially through use of balances or by considering future capital receipts that would otherwise have been used for new capital expenditure. As a result, the financing of the programme will always be equal to the estimated costs.
- 5.3 The level of capital resources per the February programme is compared to those for the current programme in the following table:-

	February 2024	Outturn 2023/24
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2023	7,929.7	7,929.7
Total Capital Expenditure 2023/24 – 2025/26	(36,741.5)	(41,163.1)
Total Capital Financing 2023/24 – 2025/26	33,975.4	34,463.8
Forecast CRR as at 31 March 2026	5,163.6	1,230.4

- 5.4 The table above shows that the Capital Receipts Reserve will be almost significantly reduced by the end of the 2025/26 financial year.
- 5.5 This is because £13.24M in the approved programme relates to the theatre and riverside park projects which will, in part, be financed through Levelling Up Fund grant funding.

- 5.6 It is anticipated that this position will be significantly improved once the Levelling-Up Fund onboarding process is completed and a Memorandum of Understanding completed with DLUHC to confirm the phasing and delivery requirements of the £18.3M grant. The LUF funding is not built into the table above and will be added once the funding arrangements are confirmed.
- 5.7 This forecast will be fully reviewed ahead of the next Capital Programme update later in the year.

6 Conclusion and reasons for recommendation

- 6.1 The variance between budgeted and actual expenditure was £3.2M in 2023/24. Reasons for this variance are explained in paragraph 3 of the report.
- 6.2 The ongoing budget requirements for all outstanding projects have been reviewed in the preparation of this report and the updated Capital Programme as shown in Annex 1 is recommended for approval.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Finance and Resources) Councillor M Flood			
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Report to:	Cabinet	Date:	29 May 2024