



# Governance and Audit Committee

Item

8

7 February 2024

<b>Report of</b>	<b>The Section 151 Officer</b>	<b>Author</b>	<b>Chris Hartgrove</b> (chris.hartgrove@colchester.gov.uk)
<b>Title</b>	<b>Capital Outturn Report 2022/23</b>		
<b>Wards affected</b>	Not applicable		

## 1. Executive Summary

- 1.1 This report sets out the Capital Outturn position for 2022/23, for both the General Fund and Housing Revenue Account (HRA).
- 1.2 In terms of the General Fund Capital Programme, there was a budget underspend of £61.231 million, with expenditure of £12.235 million in 2022/23 compared to an updated budget provision of £73.466 million.
- 1.3 The most significant General Fund capital variance in 2022/23 was an underspend in relation to planned loan advances of £26.7 million to Colchester Amphora Housing Ltd. Due to a change in delivery strategy and the Council's appetite for risk, there were no loans in the year and the relevant capital budget has now been removed in preparing the 2024/25 to 2028/29 draft Capital Programme.
- 1.4 A further – more detailed – discussion on the General Fund Capital Programme Outturn for 2022/23 can be found in Section 6 of the report.
- 1.5 With regard to the HRA Capital Programme, there was a budget underspend of £32.128 million, with expenditure of £29.657 million compared to an updated budget provision of £61.785 million.
- 1.6 The most significant HRA capital variance in 2022/23 was an underspend of £12.798 million on the Housebuilding Programme, due to delays on a range of schemes, with planning delays being a prominent factor.
- 1.7 A further – more detailed – discussion on the HRA Capital Programme Outturn for 2022/23 can be found in Section 7 of the report.

## 2. Recommended Decisions

- 2.1 The General Fund Capital Programme outturn for 2022/23 be noted (including **Appendix A**).
- 2.2 The HRA Capital Programme outturn for 2022/23 be noted.

## 3. Reason for Recommended Decision

- 3.1 This report facilitates the scrutiny of the Council's outturn financial position for 2022/23.

## 4. Alternative Options

- 4.1 None.

## 5. Background and Introduction

- 5.1 The General Fund and Housing Revenue Account capital budgets for 2022/23 were approved by full Council in February 2022.
- 5.2 This report updates the Governance & Audit Committee on how Council spending on capital performed against the approved budgets in 2022/23.

## 6. General Fund Capital Programme

- 6.1 The General Fund Capital Programme Outturn for 2022/23 is summarised – at a service level – in the table below. A more detailed analysis – at a scheme level – is included in **Appendix A**. The updated Programme budget totalled £73.466 million. Actual spending for the year amounted to £12.235 million, leading to an underspend of £61.231 million.

<b>General Fund Capital Programme Outturn 2022/23</b>			
<b>Description</b>	<b>Budget 2022/23 (Updated)</b>	<b>Total Spending 2022/23</b>	<b>Variance (Under) / Over</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Communities	9,841	3,115	(6,726)
Corporate & Improvement	40,907	4,391	(36,516)
Environment	3,088	1,311	(1,777)
Place & Client	19,533	3,345	(16,188)
Capitalised Maintenance	97	73	(24)
<b>Totals</b>	<b>73,466</b>	<b>12,235</b>	<b>(61,231)</b>
<i>Capital Financing:</i>			
Capital Grants	(23,223)	(5,011)	18,211
S106 Receipts	(2,249)	(1,569)	680
Capital Receipts	(3,131)	(1,128)	2,003
Revenue Contributions	(501)	(310)	191
Borrowing	(44,362)	(4,217)	40,146
<b>Total Financing</b>	<b>(73,466)</b>	<b>(12,235)</b>	<b>61,231</b>

- 6.2 There most notable areas of underspending/slippage on the General Fund Capital Programme in 2022/23 were as follows:
- **Corporate & Improvement (£36.516 million NET Underspend)** – this was the most significant area of underspending/slippage. The most notable underspending schemes were as follows:
    - **New Council Housing Company Loans (£26.700 million Underspend)** – the Capital Programme for 2022/23 originally included plans to advance loans of £26.7 million to Colchester Amphora Housing Ltd; no loans were subsequently advanced. Due to a change in delivery strategy and the Council's appetite for risk, the planned loans have now been removed in preparing the 2024/25 to 2028/29 draft Capital Programme.

- Equity Investment in CCHL (£5.800 million Underspend) – as with loans to the Housing Company, there was no Equity Investment in Colchester Amphora Housing Ltd in 2022/23 and such planned capital investment has now been removed in preparing the 2024/25 to 2028/29 draft Capital Programme due to the change in delivery strategy. This will be revisited as part of the new approach.
- Colchester Northern Gateway Heat Network (£4.303 million Underspend) – capital spending was limited to just £158,000 on this project in 2022/23. The delivery of the Heat Network is dependent upon the availability of end users which, due to unforeseen circumstances, are not currently available. Consequently, the project has been paused (and temporarily removed from the draft 2024/25 to 2028/29 Capital Programme) while the delivery strategy is revisited.
- CAEL Loans (£1.020 million Underspend) – the total value of loans advanced to CAEL in 2022/23 was just £200,000 compared to a budget allocation of £1,220,000. The arrangement forms part of the Heat Network project, which has been paused and removed from the 2024/25 to 2028/29 draft Capital Programme for the reasons described above.

In addition, there was one overspend to note as follows:

- Rowan House Refurbishment (£1.495 million Overspend) – the total budget for the refurbishment scheme was £2.058 million but spending in 2022/23 was £3.553 million. The overspend (reflecting – to a large extent – a timing difference) was driven by the need to complete a range of unforeseen repairs and maintenance works (e.g. roof works and ceiling grid replacement) which were identified during the building refurbishment. However, additional budget provision was subsequently made in the 2023/24 Capital Programme to finish the scheme; Rowan House eventually reopened in July 2023 and, driven by increased rental income, generates a net income to the Council.
- **Place & Client (£16.188 million Underspend)** – the most notable underspending schemes in this service area were as follows:
  - CNGS – Mains Grid and Infrastructure (£2.279 million Underspend) – capital spending was limited to just £198,000 on this project in 2022/23 compared to a budget allocation of £2.477 million. The majority of the underspend was associated with the design for the Highways Infrastructure which was delayed. However, most of this allocation is expected to be spent in 2023/24.
  - Greenstead Land Acquisitions (£2.263 million Underspend) – capital spending was limited to just £9,000 on this project in 2022/23 compared to a budget allocation of £2.272 million. The scheme is funded by a Housing Renewal Fund grant and entails the purchase of some properties from Notting Hill Genesis. The scheme was delayed due to circumstances beyond the Council's control and the acquisitions are now expected to complete in 2023/24. A variation to the grant agreement has been secured.
  - Town Centre (£1.726 million Underspend) – there was no capital spending on this scheme in 2022/23.
  - Improved Youth Provision (£1.226 million Underspend) – there was no capital spending on this scheme in 2022/23. The scheme comprises improvements to the Town House and Highwoods/Stanway community centres and is funded by the Towns Fund. There have been procurement delays at Essex County Council, who are leading the work. The scheme is now expected to be delivered 2024/25.

- **Communities (£6.726 million Underspend)** – the most notable underspending schemes in this service area were as follows:
  - **Disabled Facilities Grants (DFG) (£4.251 million Underspend)** – capital spending in 2022/23 was £0.961 million compared to an accumulated budget allocation of £5.219 million. The DFG scheme is fully funded by the Government through the Better Care Fund and is ring-fenced for adaptations required to help people remain living independently in their own homes (there are strict limitations on staff spending, which constrains delivery capacity).

It should be noted that the brought forward balance for 2022/23 had built up over eight years. In 2023/24, the service is currently on target to deliver 100 cases and spend circa £1.1 million (the highest year to date). Consideration is being given both to how increased capacity could positively affect future spending, and also other delivery methods (linked with other social care projects); and
  - **St Marks Community Centre/Mill Road Rugby Club (£1.365 million Underspend)** – capital spending was limited to just £47,000 on this project in 2022/23 compared to a budget allocation of £1.412 million. The project has now been paused as part of the Capital Review due to escalating costs in a challenging financial climate and has been removed from the 2024/25 to 2028/29 draft Capital Programme.
- **Environment (£1.777 million Underspend)** – there was one dominant underspent scheme in this service area in 2022/23 as follows:
  - **Shrub End Depot (£0.959 million Underspend)** – capital spending was £154,000 compared to a budget allocation of £1.412 million. The investment in 2022/23 enabled the completion of the first phase of the works at the Depot comprising mainly health, safety and compliance works (e.g. to storage facilities, fencing, access roads and staff welfare facilities). However, the tender for subsequent works to the Bailing Shed has identified significantly higher than expected costs. In the circumstances, officers are currently re-evaluating a lower specification for improving the condition and functionality of Shed, whilst also taking the opportunity to replace a temporary office building that is beyond its useful life but critical to the day-to-day operation of the site.

## 7. Housing Revenue Account (HRA) Capital Programme

7.1 The Housing Revenue Account (HRA) Capital Programme outturn for 2022/23 is summarised in the table below. The updated Programme budget totals £61.785 million. Actual spending in the year amounted to £29.657 million, leading to an underspend of £32.128 million. A large proportion of the underspend was due to slippage in a number of schemes.

Description	Budget 2022/23 (Updated)	Spending (31/03/23)	Variance (Under) / Over
	£000's	£000's	£000's
<b><i>Housing Investment</i></b>			
Stock Investment Programme	17,114	9,255	(7,859)
Sheltered Accommodation	15,067	6,029	(9,038)
Adaptations	768	733	(35)
<b><i>Sub-Total</i></b>	<b>32,949</b>	<b>16,017</b>	<b>(16,932)</b>
<b><i>Other Works</i></b>			
New Build	14,432	1,634	(12,798)
Acquisitions	14,027	12,006	(2,021)
ICT	377	0	(377)
<b><i>Sub-Total</i></b>	<b>28,836</b>	<b>13,640</b>	<b>(15,196)</b>
<b>Total Expenditure</b>	<b>61,785</b>	<b>29,657</b>	<b>(32,128)</b>
<b><i>Capital Financing:</i></b>			
Major Repairs Reserve	6,000	5,523	(477)
Revenue Contributions	4,297	4,409	112
Capital Receipts	0	405	405
Grants	0	580	580
Other Contributions	0	153	153
RTB Receipts	8,971	1,887	(7,084)
Borrowing	42,517	16,700	(25,817)
<b>Total Financing</b>	<b>61,785</b>	<b>29,657</b>	<b>(32,128)</b>

7.2 An HRA Capital Programme budget of £32.994 million was approved by Cabinet in January 2022. A net total of £28.791 million in unspent budgets were rolled forward from 2021/22, resulting in an updated Programme budget of £61.785 million for the year.

7.3 There are three significant areas of underspending/slippage on the HRA Capital Programme outturn. Thus:

- **New Build (£12.798 million Underspend)** – the Housebuilding Programme had a total budget of £14.432 million for 2022/23. Actual spending on the Programme was £1.634 million, resulting in an underspend of £12.798 million at year end. Most notably there was an underspend of £5.2 million on the Programme due to delays (including planning) in commencing the development of various sites, such as Hedge Drive, Veronica Walk and Cross Cottages, with the units now planned to be delivered from April 2024 onwards.

The budget also included a provision of £2.1 million for purchases at Mill Road from Amphora, which have not gone ahead. In addition, a further £2.750 million was included for the Arthur Street acquisition, which did not progress as a viable agreement could not be reached. Both of these budgets have been carried forward and re-purposed into schemes such as the acquisition of the Military Road site, purchases at Boxted Road, Cowdray Avenue and from Mersea Homes (the Chesterwell Development).

There was also an underspend of £1.1 million on the Phase 2 delivery of development on garage sites, which has been carried forward to support Phase 3.

- **Sheltered Accommodation (£9.038 million Underspend)** – the underspend relates to a delay in the refurbishment of Elfreda House. The budget allocation in 2022/23 was £13.389 million; actual spending was £4.351 million, resulting in an underspend of £9.038 million. The unspent resources have been carried forward into 2023/24 to enable the continuation of the refurbishment works.
- **Stock Investment Programme (£7.859 million Underspend)** – The main reason for the underspend was due to a delay in the delivery of the supplementary projects budget (of £4.1 million), which is making funding available for the Climate Emergency works, including the Social Housing Decarbonisation Fund project and Retrofit works to the Housing Stock. The funding will be carried forward to meet the costs of the work once they commence. There were also underspends relating to Building Safety, Roofing, Windows & Doors, and major Adaptations, all of which have been carried forward (£1.5 million) to enable delivery in 23/24.

7.4 The HRA Capital Programme is financed from several sources; external sources such as Grants and Capital Receipts are prioritised and applied first, followed by internal resources such as the Major Repairs Reserve and HRA Revenue contributions. The approach minimises the need to borrow and helps protect the HRA from higher interest payments. The underspend on the Programme has an impact on all sources of financing with the most significant being a £25.817 million reduction in the need to borrow in 2022/23.

## **8. Equality, Diversity and Human Rights implications**

8.1 None.

## **9. Standard References**

9.1 The capital investment plans included within the overall Capital Programme for 2022/23 (both General Fund and HRA) reflected the Council's priorities within the "Better Colchester Strategic Plan 2020/23" (adopted October 2020).

9.2 Management Accounts 2022/23 (Month 12).

## **10. Environmental and Sustainability Implications**

10.1 None.

## **11. Appendices**

11.1 General Fund Capital Programme (Outturn Summary) 2022/23 - **Appendix A**

## General Fund Capital Programme

### Outturn Summary 2022/23

General Fund Capital Programme Outturn 2022/23				
Service Area	Scheme Description	2022/23 Budget (Updated)	2022/23 Outturn	Variance (Underspend)/Overspend
		£'s	£'s	£'s
Communities	Private Sector Renewals - Loans and Grants	286,300	9,213	(277,087)
	Sustainable Growth	689,823	314,010	(375,813)
	Mandatory Disabled Facilities Grants	5,219,082	968,159	(4,250,923)
	Cemetery Improvement works	55,776	55,000	(776)
	Collingwood Road Scout Hut	13,241	5,368	(7,873)
	Stanway Community Centre	1,406,915	1,238,445	(168,470)
	Stanway Toucan Crossing	200,000	-	(200,000)
	St Marks Community Centre/Mill Road Rugby Club	1,412,086	46,831	(1,365,255)
	Priory Street Mosque	5,945	5,945	-
	Mobile Skate Park	14,579	11,750	(2,829)
	S106 Lorkin Daniell Field	10,677	10,677	-
	All Saints Church - S106	174,488	174,488	-
	Floodlights Gilberd School	86,613	86,613	-
	Imola Pond - Castle Park	19,568	19,568	-
	West End Bowls Club	15,000	15,000	-
	Great Tey Rec Playingfield S106	78,747	3,166	(75,581)
	Mercury Theatre Redevelopment Phase 2	105,728	189,180	83,452
	Mercury Landscaping Works	53,137	(45,867)	(99,004)
	Mercury Theatre SELEP	(7,604)	6,605	14,209
St Marys Church Hall - S106	1,300	1,300	-	
<b>Service Total</b>	<b>9,841,401</b>	<b>3,115,451</b>	<b>(6,725,950)</b>	
Corporate & Improvement	Assistance to Registered Housing Providers	50,000	50,000	-
	Grants to Registered Providers (1-4-1 RTB Receipts Funded)	447,336	274,261	(173,075)
	Lending to new Council Housing Company	26,700,000	-	(26,700,000)
	Equity Investment in CCHL	5,800,000	-	(5,800,000)
	Facility Loan to CAEL	1,220,000	200,000	(1,020,000)
	Rowan House Refurbishment	2,058,205	3,553,270	1,495,065
	E Cargo	177,300	12,085	(165,215)
	Leisure World Tiptree	(6,673)	-	6,673
	Colchester Northern Gateway Heat Network	4,460,565	157,671	(4,302,894)
	Fieldgate Quay	-	143,531	143,531
<b>Service Total</b>	<b>40,906,733</b>	<b>4,390,818</b>	<b>(36,515,915)</b>	
Environment	Rowan House EV Charging Points	73,763	73,763	-
	Shrub End Depot	1,113,905	154,436	(959,469)
	Light Fleet Replacement	681,371	203,990	(477,381)
	Fleet Upgrade Caged Tippers	537,863	537,863	-
	Castle Park Cricket Pavilion Extension S106	116,663	116,663	-
	Garrison Gym Playground	305,500	-	(305,500)
	Vineyard Car Park Lift Replacement	124,600	77,099	(47,501)
	Floating Pontoon Mersea	74,910	95,890	20,980
	Recreation Ground Old Heath	42,205	34,000	(8,205)
	North Station Footbridge S106	10,000	10,000	-
	CNGN - Mile End Cricket	6,900	6,900	-
<b>Service Total</b>	<b>3,087,680</b>	<b>1,310,604</b>	<b>(1,777,076)</b>	



General Fund Capital Programme Outturn 2022/23 (cont.)				
Service Area	Scheme Description	2022/23 Budget (Updated)	2022/23 Outturn	Variance (Underspend)/ Overspend
		£'s	£'s	£'s
Place & Client	<b>Levelling Up</b>			
	LUF - St Botolphs roundabout	100,000	-	(100,000)
	LUF - Britannia Yard	100,000	-	(100,000)
	LUF - Vineyard Street	50,000	-	(50,000)
	<b>TOTAL LEVELLING UP</b>	<b>250,000</b>	<b>-</b>	<b>(250,000)</b>
	<b>Town Deal</b>			
	TD Development Work and Fees	143,384	-	(143,384)
	<i>Sub-Total</i>	<b>143,384</b>	<b>-</b>	<b>(143,384)</b>
	<b>Heart of Greenstead</b>			
	Greenstead Land Acquisition	2,271,776	8,741	(2,263,035)
	Multiuse Community Hub	-	28,900	28,900
	HoG - Tamarisk Way	-	60,180	60,180
	Essex Pedal Power	319,810	319,810	-
	<i>Sub-Total</i>	<b>2,591,586</b>	<b>417,631</b>	<b>(2,173,955)</b>
	<b>Town Centre/Gateways Historic Buildings</b>			
	Jumbo	108,000	108,000	-
	Holy Trinity Church	323,330	917	(322,413)
	<i>Sub-Total</i>	<b>431,330</b>	<b>108,917</b>	<b>(322,413)</b>
	<b>Town Centre/Gateways Public Realm</b>			
	Town Centre to Greenstead and University Cycle Path	858,643	17,187	(841,456)
	Essex County Hospital	488,707	488,707	-
	St Nicholas Square	898,617	92,900	(805,717)
	Balkerne Gate Phase 2	106,701	6,773	(99,928)
	Holy Trinity Square	81,598	37,279	(44,319)
	Kerbless and Green Streets	633,739	32,595	(601,144)
	<i>Sub-Total</i>	<b>3,068,005</b>	<b>675,441</b>	<b>(2,392,564)</b>
	<b>Improved Youth</b>			
	Improved Youth Provision (ECC)	1,226,460	-	(1,226,460)
	<i>Sub-Total</i>	<b>1,226,460</b>	<b>-</b>	<b>(1,226,460)</b>
	<b>Digital</b>			
Grow-on - former Queen St Bus Depot	4,878,942	749,934	(4,129,008)	
Wilson Marriage Digital skills hub	689,300	689,300	-	
5G	723,214	73,014	(650,200)	
<i>Sub-Total</i>	<b>6,291,456</b>	<b>1,512,248</b>	<b>(4,779,208)</b>	
<b>TOTAL TOWN DEAL</b>	<b>13,752,221</b>	<b>2,714,237</b>	<b>(11,037,984)</b>	
<b>OTHER PLACE &amp; CLIENT SCHEMES</b>				
CNG Wastewater Improvements Pumping Station	235,903	26,322	(209,581)	
Northern Gateway South	6,504	6,504	-	
Town Centre	1,725,962	-	(1,725,962)	
CNGN - Sports Park	521,098	79,980	(441,118)	
Digital Strategy - LFFN	(74,410)	2,387	76,797	
CNGS - Detailed Planning	446,621	163,993	(282,628)	
CNGS - The Walk	191,665	153,342	(38,323)	
CNGS - Mains grid connection & Infrastructure	2,477,230	198,412	(2,278,818)	
<b>TOTAL OTHER PLACE &amp; CLIENT SCHEMES</b>	<b>5,530,573</b>	<b>630,940</b>	<b>(4,899,633)</b>	
<b>Service Total</b>	<b>19,532,794</b>	<b>3,345,177</b>	<b>(16,187,617)</b>	
Capitalised Maintenance	Colchester Leisure World - Pool Filters	16,889	9,996	(6,893)
	Colchester Charter Hall - Security	33,262	16,373	(16,889)
	Town Hall - Boilers	3,550	3,550	-
	Town Hall - Fire Alarm Systems	43,069	43,069	-
	<b>Service Total</b>	<b>96,770</b>	<b>72,988</b>	<b>(23,782)</b>
<b>Overall General Fund Capital Programme 2022/23</b>		<b>73,465,378</b>	<b>12,235,038</b>	<b>(61,230,340)</b>