

## ITEM 12

## Capital Outturn 2015/16

Report of the Economic Portfolio Holder

### **Recommendation:**

**That the updated Capital Programme as shown in Annex 1 to the report be approved.**

#### SUMMARY:

- This report summarises expenditure on the Capital Programme in 2015/16 and explains the reasons for variances from the forecast, including a summary of the total budget slippage within the Capital Programme.
- The report makes recommendations for the carry forward of certain unspent capital budgets into 2016/17 as detailed throughout the report and provides an updated capital programme for 2015/16 to 2017/18.

### **1 Introduction**

- 1.1 The progress of the Capital Programme is reported to Cabinet regularly throughout the year. The most recent update was presented to Cabinet on 10 February 2016.
- 1.2 The purpose of this report is to present the final 2015/16 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 2016/17 and 2017/18.
- 1.3 Any slippage from 2015/16 and other changes in the programme have been taken into account in updating the cost and phasing of schemes within the updated programme presented for approval.

### **2 Background**

- 2.1 In updating the Capital Programme the main issues 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 Additional capital requirements on existing projects are included in the report. Where additional resources are necessary, the report will address the reasons why additional resources are requested and the method of funding those resources.

### 3 Capital Outturn 2015/16

- 3.1 Annex 1 provides details of the revised estimate for individual schemes in 2015/16 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 £11.3M against a forecast of £6.4M during the 2015/16 financial year.
- 3.3 The following table shows how the overall variance of £4.9M in 2015/16 is broken down between Services:-

| <b>Service</b>                 | <b>Estimate</b> | <b>Actual</b>   | <b>Variance</b> |
|--------------------------------|-----------------|-----------------|-----------------|
|                                | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>    |
| Asset Management Projects      | 1785.3          | 1376.8          | (408.5)         |
| Community & Leisure            | 1362.1          | 1391.2          | 29.1            |
| Estates                        | 1778.1          | 7196.1          | 5418.0          |
| Housing & Environmental Health | 950.0           | 915.4           | (34.6)          |
| Information Technology         | 19.7            | 9.5             | (10.2)          |
| Planning Policy & Transport    | 369.5           | 343.7           | (25.8)          |
| Affordable Housing             | 135.0           | 67.5            | (67.5)          |
| <b>Total</b>                   | <b>6,399.7</b>  | <b>11,300.2</b> | <b>4,900.5</b>  |

- 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 25 November 2015. This identified the Council's requirement for maintaining its asset base over three categories; land & property; vehicles & plant and IT equipment.
- 3.5.2 The budgets approved covered 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 £408,500 less than budgeted. The main reasons for this are:

An £86,000 saving for plant and vehicles following changes to requirements. The remainder are carry forwards of £96,000 and £235,000 for plant & vehicles and land & property respectively.

3.5.4 More detailed explanations of variances within the Asset Management Plan for 2015/16 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

### 3.6 Community & Leisure

3.6.1 The Community & Leisure capital programme has a variance of £29,100 against its forecast of £1,362,100.

3.6.2 Youth in Romsey project is now complete with a small saving of £3k against the budget of £464.3k.

3.6.3 Additional expenditure was incurred on the Romsey War Memorial Kiosk project due to change of design for the adjoining toilet block, resulting in an overspend of £17.3k for 2015/16, a £6k retention is due in 2016/17.

3.6.4 Inclement weather postponed the completion of the work at Tadburn Meadows resulting in slippage of £33.4k. This project should be completed by the end of June 2016.

3.6.5 Knightwood all-weather pitch was completed in 2015/16 with a saving of £6.8k.

3.6.6 The project at Fishlake Meadows has been completed with a slight overspend of £3.5k which will be funded from the S106 commuted sums. Therefore there will be no impact to the Capital Receipts Reserve.

3.6.7 The Community Asset Fund is showing an overspend for 2015/16 due to payments made for previous years' grant approvals. Applicants have a total of two years in which to claim approved grants and it was felt that it would be prudent to show the level of commitment for future years in addition to the actuals for 2015/16. As these grants are funded from New Homes Bonus there will be no impact to the Capital Receipts Reserve.

### 3.7 Estates

3.7.1 The Estates capital programme has a variance of £5,418,000 in 2015/16.

3.7.2 Refurbishment of the Former Magistrates Court and Crossfield Hall Annexe have together made savings of £4.6k.

3.7.3 An original budget of £3.114M was approved for investment in Walworth Business Park with £1.0M expected to be spent in 2015/16. These works are still on course to be completed within budget during 2016/17, but there has been some slippage in the project and £350,700 has been carried forward and added to the current year's budget.

3.7.4 During 2015/16 an opportunity to purchase a new investment property was identified through Project Enterprise at a cost of £5.773M. This was approved by Council on 25 February 2016 and has been added to the capital investment programme.

### 3.8 Housing & Environmental Health

3.8.1 The annual budgets for Renovation & Minor Works Grants and Disabled Facilities Grants are a limit on the amount that the Service can commit to individual grants plus any outstanding grant commitments from previous years.

3.8.2 The budgets were increased by £150k following a cabinet report 16 December 2015. There is a saving of £34.6k due to an unexpected reduction in referrals in the last quarter of the year.

### 3.9 Information Technology

3.9.1 The IT capital programme's budget has a variance of £10,200 in 2015/16.

3.9.2 The variance relates to slippage caused by the delay of the Oracle Cluster and update of the Email exchange projects, to ensure prudent use of existing equipment. The Sharepoint server and the Document Management System projects have been delayed due staffing issues.

### 3.10 Planning Policy & Transport

3.10.1 Capital expenditure in this area is showing a variance of £25,800, mainly due to savings of £9,700 made on the Pay on Foot project and minor savings on the Romsey Coach Park. An additional £49,000 was added to the Land West of Romsey Abbey project as approved by Council last year. There is slippage of £15,800 due to a delay caused by additional works requested and funded by Hampshire County Council.

### 3.11 Social Housing

3.11.1 Two grants were budgeted in 2015/16 but only one was paid.

3.11.2 The work at Braishfield Road has commenced but the claim for the final instalment has been delayed due to the requirement of a Deed of Variation.

### 3.12 Slippage

3.12.1 Slippage from one year to the next is regularly monitored as part of the Capital Programme update reports.

3.12.2 Annex 2 shows details of the capital projects that have slipped from 2015/16 to 2016/17. The November and February updates identified slippage of £571,100. This report identifies a further £482,700 making the annual total £1.054M. This excludes Asset Management items which are reviewed separately elsewhere on this agenda.

3.12.3 Some slippage within a Capital Programme is entirely normal. Expenditure can be delayed for many reasons and is frequently outside the Council's control.

3.12.4 Projects included in the Capital Programme will improve the delivery of services directly to the public or improve the service that the Council provides. Slippage in the Capital Programme delays the implementation of these projects and therefore also delays any benefit seen by the public.

#### 4 Capital Programme Update

4.1 A comparison of the latest phasing of the capital programme compared with the budget approved in February is shown in the following table:-

|                       | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | Total<br>£'000 |
|-----------------------|------------------|------------------|------------------|----------------|
| February Programme    | 6,399.7          | 5,533.5          | 95.0             | 12,028.2       |
| Current Programme     | 11,300.2         | 18,052.8         | 95.0             | 29,448.0       |
| Increase / (Decrease) | 4,900.5          | 12,519.3         | 0.0              | 17,419.8       |

4.2 The increase of £17,419,800 is broken down in the table below.

|                                | February<br>Programme<br>£'000 | Current<br>Programme<br>£'000 | Increase /<br>(Decrease)<br>£'000 |
|--------------------------------|--------------------------------|-------------------------------|-----------------------------------|
| Asset Management Projects      | 3,163.7                        | 3,155.6                       | (8.1)                             |
| Community & Leisure            | 1,806.0                        | 2,721.1                       | 915.1                             |
| Estates                        | 4,517.1                        | 21,025.8                      | 16,508.7                          |
| Housing & Environmental Health | 1,715.0                        | 1,680.4                       | (34.6)                            |
| Planning Policy & Transport    | 502.9                          | 541.6                         | 38.7                              |
| <b>Total</b>                   | <b>11,704.7</b>                | <b>29,124.5</b>               | <b>17,419.8</b>                   |

4.3 The overall AMP budget requirement is discussed in a separate report on this agenda.

4.4 Additional projects added to the Community & Leisure programme are Ganger Farm Development totalling £640,000 (approved by Council 25 February 2016) and Abbotswood & Romsey Public Art £44,000 both of which are funded by S106 receipts so have no impact to Capital Receipts Reserve.

- 4.5 A purchase of an investment property of £5.8M, agreed by Council on 25 February 2016, together with potential property investments totalling £10.7M, agreed by Council on 14 April 2016, have been added to the Estates Capital programme since the February report. These will all be funded through the Capital Receipts Reserve.
- 4.6 The budget for Land West of Romsey Abbey has been increased by £49k which has been funded by Hampshire County Council therefore having no impact on 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 or not 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 taking into account 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:-

| Source of Financing                         | February<br>Programme | Current<br>Programme | Increase /<br>(Decrease) |
|---|-----------------------|----------------------|--------------------------|
|   | £'000                 | £'000                | £'000                    |
| Capital Grants                              | 920.8                 | 1448.8               | 528.0                    |
| Capital Receipts                            | 1,089.8               | 1202.0               | 112.2                    |
| Capital Contributions                       | 6,571.6               | 7,514.0              | 942.4                    |
| (Return to) / Draw from<br>Capital Reserves | 3,446.0               | 19,283.2             | 15,837.2                 |
| <b>Total</b>                                | <b>12,028.2</b>       | <b>29,448.0</b>      | <b>17,419.8</b>          |

- 5.4 The deficit in the capital programme to 2017/18 is £11.4M. This represents an increase of £4.2M to the forecasted deficit of £7.2M reported in February.
- 5.5 The main reasons for this increase are the investment/potential investment of £16.5M in properties, offset against anticipated rental income from investment properties of £11.1M, plus additional capital receipts and grants in respect of:

- Preserved Right-to-Buy receipts increased in the year. The budget forecast was £581,000 and £986,700 will be received, an increase of £405,700.
- Transfer from Revenue of £564,000
- Additional funding for Disabled Facilities Grants of £518,000.

## 6 Conclusion and reasons for recommendation

- 6.1 The variance between budgeted and actual expenditure was £4.9M in 2015/16. Apart from Asset Management budgets (discussed elsewhere on this agenda) the main variances to existing schemes within the Capital Programme were the introduction of committed funds for the Community Asset Fund, the investment into properties and the slippage of Affordable Housing Grants. All other projects remain largely unaltered from the last update in February 2016.
- 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.

### Background Papers (Local Government Act 1972 Section 100D)

#### Confidentiality

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:

2

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