

ITEM 11 Capital Programme Update – 2016/17 to 2019/20

Report of the Head of Finance (Portfolio: Economic)

Recommended:

- 1. That the new capital schemes with a total cost £3,873,000 as shown in Annex 1 to the report, be added to the 2016/17 to 2019/20 Capital Programme.**
- 2. That the revised estimates and financing for the 2016/17 to 2019/20 Capital Programme as shown in Annex 2 to the report, be approved.**

Recommendation to Council

SUMMARY:

- This report provides an update on the progress of the existing 2016/17 Capital Programme and includes forecast changes to its timescale and total cost.
- It also puts forward proposals for new capital schemes recommended to be added to the Capital Programme over the period 2016/17 to 2019/20.
- The total cost of bids recommended for inclusion in the Capital Programme is £3.873M. After taking into account external funding the net cost of these bids is £2.776M.
- The net cost of the capital bids is recommended to be funded from the S106 receipts, the Capital Receipts Reserve and New Homes Bonus.

1 Introduction

- 1.1 The progress of the Capital Programme is reported to Councillors each year in June, November and February.
- 1.2 The last update was presented on 22 June 2016 and gave details of the overall expenditure and financing of the Capital Programme for 2015/16 to 2017/18.
- 1.3 This report provides an update on the Capital Programme approved at that meeting together with proposals for new projects to be added to the programme. It also examines how the costs of the proposed new programme will be financed.

2 New Capital Bids

- 2.1 All Services were invited to submit bids for new projects to be added to the Capital Programme. A summary of the bids together with a brief explanation of the expected outcomes from each project is shown in Annex 1.

2.2 All bids for new capital schemes are considered with regard to their relative merits in continuing the Council’s priorities, legislative requirements, sustainability and a number of other factors including the level of financing available.

2.3 Annex 1 shows a summary of all new bids broken down into two sections:

- Four bids which are fully externally funded
These projects can be delivered at no net cost to the Council as they are fully funded by developer contributions already received by the Council. These projects are recommended to go into the Capital Programme.
- Projects to be included in the Capital Programme
These are the bids recommended to be included in the Capital Programme at this time.

2.4 All bids that were submitted are recommended to be included in the Capital Programme.

3 Proposed Capital Programme 2016/17 to 2019/20

The 2016/17 to 2017/18 Capital Programme approved in June had a total cost of £23.258M. There have been some changes since that time and these are summarised below.

	£'000
Approved Budget for 2016/17 to 2017/18	23,257.5
Changes to Asset Management Plan Requirement	1,890.2
Romsey War Memorial Park Kiosk	0.4
Urban Sports Facility - Andover	(8.9)
Saxon Fields Pathway	20.0
Anton Lake Boardwalk	23.0
East Anton Public Art	82.0
Chantry Centre Enhancement	65.9
Portway Solar Panels	62.0
Investment Property 1	(388.1)
Additions to Investment properties (Property 2 and 4)	562.0
Disabled Facilities Grants	(65.0)

IT projects moved to Asset Management Plan	(22.2)
Affordable Housing – budget transfer to new projects	(1,809.7)
Sub-total – movements in the existing Capital Programme	23,669.1
Cost of new bids for inclusion in programme. See Annex 1	3,873.0
Reflate Project Enterprise Capital Budget to £3M	1,580.0
Updated Estimate for 2016/17 to 2019/20	29,122.1

- 3.1 An Asset Management Plan (AMP) update report is also on the agenda for this meeting. That report provides an update on the current year's programme and recommended projects for 2017/18. The capital element of the report's recommendations is built in to the figures above.

Community and Leisure Projects

- 3.2 In consultation with Ward members, an additional £43,000 has been added to the budget for Saxon Fields Pathway and Anton Lakes Boardwalk. Section 106 funds will be used resulting in a zero effect on the Capital Reserves.
- 3.3 Eight new projects, see Annex 1, have been added to the Capital Programme for 2017/18 at a cost of £653,000. S106 monies totalling £403,000 will be used to fund some of these projects leaving a net cost of £250,000.

Estates and Economic Development Projects

- 3.4 The cost for the Chantry Centre Enhancement has increased by £65,900 following completion of these works.

Project Enterprise Projects

- 3.5 £62,000 has been added to the Capital Budget for the Portway Solar Panels project (as approved by Council on 9 November 2016)
- 3.6 The final figure purchase price paid for the investment property 1 was £388,100 less than budgeted.
- 3.7 Three more investment property purchases have been added to the programme for 2016/17.
- 3.8 The first was approved by Council on the 29 June 2016 at a cost of £392,000, the second was reported to Council on 9 November 2016 at a cost of £170,000 after approval by the Member Investment Panel and a third costing £1.580M was also approved by the Member Investment Panel on the 2 November 2016. Details of this third investment will be reported to Council on 25 January 2017.

- 3.9 The final two fall within the £3M delegated authority to the Head of Estates (as approved by Council on the 11 November 2015 – minute 185.3.1.1 refers). This report recommends reflating the Project Enterprise Capital budget back up to £3M to take advantage of any future property investments that may be identified during the latter part of the financial year.

Housing and Environmental Health Projects

- 3.10 Bids of £750,000 and £100,000 respectively, for mandatory DFG applications and Housing Renewal Grants have been received. £65,000 is currently included in the budget and estimated grant funding from DCLG of £500,000 gives a net budget impact of £285,000.
- 3.11 Cabinet approval was received on the 22 June 2016 to transfer £50,000 from the Renovations and Minor Grants to enable HECA (Home Energy & Conservation Act) Projects to be delivered. This will be forming an integral part of the Council's Housing Strategy.

Planning Policy and Transport Projects

- 3.12 A bid for a contribution of £150,000 towards Phase 3 of the Romsey Enhancement Works has been added to the programme and is showing in the new bids in the table above and also Annex 1.

Slippage in the Existing Capital Programme

- 3.13 There are two projects in the Capital Programme that were budgeted in 2016/17 but are now likely to be spent in 2017/18, either partially or in whole. The reasons for the delays in completing these projects are explained in the paragraphs below.
- 3.14 The proposed development of Ganger Farm, Sports and Recreation ground was added to the Capital Projects Schedule following agreement from Cabinet for the allocation of £640,000 from secured developer contributions. The precise timing for the drawing down of this sum cannot be confirmed until the discharge of pre-commitment conditions is agreed with the Developer and so this allocation is recommended to be carried forward into 2017/18.
- 3.15 The scheme for Town Mill Access and Environmental Enhancement with a budget of £133,100 has now been rescheduled for 2017/18. Hampshire County Council are still progressing through their internal procedures prior to giving instructions for the design and public consultation.

4 New Capital Bids

- 4.1 The total cost of new bids recommended to be added to the Capital Programme is £3,873,000. After taking into account external funding the net cost of bids for consideration is £2,776,000.
- 4.2 Annex 1 shows a summary of all capital bids together with an explanation of the project and its key deliverables.

- 4.3 Annex 2 shows a summary of capital projects by Service. The bids recommended to be added to the Capital Programme are included in this Annex.
- 4.4 An additional summary has now been added to Annex 2 showing the Capital expenditure approved/to be approved by Project Enterprise. These were previously shown within the Estates Summary.

5 Financing the Capital Programme

- 5.1 It is recommended that the new capital bids are financed from S106 receipts, the Capital Receipts reserve and New Homes Bonus.

Capital Programme Deficit

- 5.2 The deficit on the Capital Programme at the end of 2015/16 was £11.349M. This represents the amount by which the total cost of capital expenditure since 2005/06 (when the sustainable funding of the Capital Programme was introduced) exceeds the capital receipts and external funding generated by the Capital Programme in that period.
- 5.3 The maximum use of grants and contributions from external bodies and other internal reserves has been taken into account in the proposed financing of the Capital Programme. The total of this funding over the life of the recommended Capital Programme is estimated at £3.376M.
- 5.4 The following table shows the level of capital receipts available to allocate to capital projects after considering the implications of past years' expenditure and the recommendations of this report.

Planned deficit arising between 2005/06 and 2015/16	11,348.7
Net cost of new Capital Bids	2,776.0
Changes to existing programme	(733.6)
Capital repayment due from investment properties 2016/17 to 2066/67	(10,015.6)
Capital expenditure in excess of receipts	3,375.5

- 5.5 The table shows that the forecast deficit on the Capital Programme is expected to decrease from £11.349M to £3.375M over the life of the existing programme.

6 Programme Lifespan

- 6.1 Due to the uncertainty in timescale and value of securing capital receipts, it is has previously been proposed to include costs up to two years. As the Affordable Housing project, Nightingale Lodge, is dependent on a contribution in 2019/20, the programme has been rolled out to three years for this year only.

7 Revenue Consequences of the Capital Programme

- 7.1 The ongoing revenue impact of the capital bids will be built into Service estimates for 2016/17 and will be included in the next budget update in January 2017.

8 Corporate Objectives and Priorities

- 8.1 The capital programme enables capital investment to support the Council's priorities and to maintain its assets so that services may continue uninterrupted in the future.

9 Risk Analysis

- 9.1 The schemes laid out in the proposed capital programme for the coming years are reliant on future capital receipts – the timing and extent of which are by no means certain. This risk is mitigated by cautious valuations of receipt values and through cashflow management to ensure schemes are not delayed for financial reasons.
- 9.2 Each individual project will have specific risks attached to it. These will be identified by the responsible officer at the start of each project.
- 9.3 The Capital Programme presented for approval takes into account all known future capital receipts. With no obvious future sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme beyond 2019/20.

10 Equality Issues

- 10.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination or negative impact has been identified, therefore a full EQIA has not been carried out.

11 Consultations

- 11.1 Ward members, Heads of Service and project managers were consulted in the update of the 2016/17 to 2019/20 Capital Programme.

12 Conclusion and reasons for recommendations

- 12.1 This report identifies new capital bids with a total cost of £3.873M (net cost of £2.776M after allowing for external funding). These bids will help to deliver the Council's key priorities and are recommended to be added to the Capital Programme.
- 12.2 The report also provides an update on the existing approved Capital Programme.

<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:	2	File Ref:	
(Portfolio: Economic) Councillor P Giddings			
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