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ITEM 13 Capital Programme Update – 2017/18 to 2019/20

Report of the Finance Portfolio Holder

Recommended :

1. **That the revised estimates and financing for the 2017/18 to 2019/20 Capital Programme as shown in annex 1 to the report, be approved.**
2. **That £3.248M is drawn from the New Homes Bonus Reserve to finance the Capital Investment Programme until 2019/20.**

Recommendation to Council

SUMMARY:

- This report updates Councillors on the progress of the existing 2017/18 Capital programme and includes forecast changes to its timescale and total cost.
- It updates Councillors on projects where the timetable has changed from that currently approved, in particular where projects are expected to slip from the current year.

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 15 November 2017 and gave details of the overall expenditure and financing of the Capital Programme for 2017/18 to 2019/20.

1.3 This report provides an update on the Capital Programme presented to that meeting and also examines how the costs of the proposed new programme will be financed.

2 Background

2.1 It is always difficult to assess accurately the cost, timescale and progress of a project when an initial bid is made. This is exacerbated by the fact that bids are often made a year before a project is expected to commence and before exact costs have been agreed.

2.2 As a result of this the timing and total cost of the approved Capital Programme is constantly changing.

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2.3 All capital budget holders have been asked to review the projects under their control. The objective is to provide an up to date assessment of the latest estimate for the total cost and timescale for each project.

2.4 Major changes to schemes need to be reported in accordance with the schedule of limits in the Council's Financial Regulations.

3 Existing Capital Programme

3.1 The following paragraphs summarise the main changes to the Capital Programme since the November report. A full breakdown of each Service's Capital Programme and a summary of the General Fund Capital Programme Financing are shown in Annex 1.

3.2 The table below analyses the movement in the capital programme since the November 2017 update.

	£'000
2017/18 to 2019/20 capital budget per November report	**49,608.4**
Savings on the bespoke building at Knightwood	(88.1)
Footpath link – Smannell to Augusta Park	164.0
Chantry Centre – Share of capital works	143.9
Savings on the Strategic Land Purchase	(31.0)
Former George Yard Toilet	19.0
Generator – Business Continuity	40.0
Investment properties – savings on purchase price	(175.1)
Additional Investment property (Council Minute 189 – 8/11/17 refers)	203.5
CCTV for vehicles	96.0
2017/18 to 2019/20 capital budget per Annex 1	**49,980.6**

3.3 The paragraphs below provide some detail of the reasons for the above changes to budgets and also identifies projects that are expected to slip from 2017/18 to 2018/19. A summary of project slippage is shown in Annex 2.

3.4 <u>Asset Management Projects</u>

The Asset Management Plan (AMP) was presented to Cabinet on 15 November 2017.

The report identified a number of projects that fall into one of three main categories; land and buildings, vehicles and plant and IT equipment. Some of these projects are revenue in nature (and will be included in the revenue

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budget report) whilst others represent capital expenditure.

The total cost of the capital items is summarised by category in Annex 1. The detailed expenditure across all AMP projects will be reported at the end of the financial year.

3.5 Community & Leisure

Savings of £88,100 have been made for the site for Knightwood Day Nursery, due to the reduction of costs, making the project delivery under budget.

The new project for a Footpath Link from Smannell to Augusta Park has been added to the programme at a cost of £164,000. This project will be part funded by S106 contributions currently totalling £58,000. The balance will be met from the New Homes Bonus Reserve pending receipt of further contributions.

Slippage has been identified in the following projects:

East Anton Public Art project has slipped by a further £13,000 due to unforeseen delays.

Saxon Fields car park project is on hold due to the necessity of an assessment for the need of a car park extension. This is due to the addition of pitches following the adoption of the sites at Picket Twenty and Augusta Park – following this many matches are now being played on these new sites thereby removing the pressure of car parking at Saxon Fields.

Contracts have been awarded for the Skate Parks at Romsey Sports Centre and Knightwood, but are still waiting for planning permission. The expectation is that these projects will slip into 2018/19.

Andover War Memorial – works underway but expected to slip into 18/19.

Leisure Contract – works underway but due to the delay caused by the discovery of more asbestos than expected, the programme is behind schedule. The contractor is hoping to recover this delay in the course of the development programme.

3.6 Estates, Economic Development & Transport

An addition of £143,900 has been made for capital spend costs expected from the Chantry Centre management company. This is an estimated figure for the unit re-configuration and cladding works – further details and costings have been requested from the management company.

Two further new projects have been added to the programme

Former George Yard Toilet demolition and site clearance, at the cost of £19,000.

Purchase of a generator, costing £40,000, to enable business continuity in the

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event of a power failure at Beech Hurst.

A saving of £31,000 has been forecast for the purchase of the Strategic Land & Building.

Slippage totalling £19,200 has been identified due to further discussions with regard to the Town Mill Access project resulting in potential changes to the plan.

The project of Romsey Enhancement works is being led by Hampshire County Council and the expectation is that our contribution will now be made in 2018/19.

<u>Project Enterprise Projects</u>

The purchase costs of Investment properties 2, 5 and 6 were £20,700 less than budgeted.

A further saving of £3,400 was made on the Solar Panel project.

The purchase cost of Investment Property 7 was £151,000 less than budgeted.

Investment Property 8 was added to the programme at the cost of £203,500. This project was approved by the Member panel for property investments in September 2017 and reported to Council on the 8 November 2017.

<u>IT</u>

An additional sum £96,000 has been added for the provision of CCTV for Test Valley commercial vehicles for 2018/19.

4 Resource Implications

4.1 The Capital Strategy is based on the principle that the Capital Programme will be self-financing over the medium to long-term. The strategy permits expenditure ahead of receiving capital receipts which creates a temporary deficit on the programme.

4.2 The current deficit of funding for the Capital Programme to 2019/20 is £5.044M. This is in line with the assumptions included in the budget strategy which allows for prudential borrowing or use of balances to be utilised to bridge this gap.

<u>Slippage within the Capital Programme</u>

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

4.4 This report identifies seven additional projects that are expected to slip to

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2018/19. The net slippage identified is £2,016,500 as shown in Annex 2. The reasons for the slippage have been explained in the paragraphs above.

5 Financing the Capital Programme

5.1 It is recommended that the new capital bids are financed from external funding, the Capital Receipts Reserve and the New Homes Bonus Reserve (NHB).

Capital Receipts Reserve

5.2 The balance on the Capital Receipts Reserve as at 1 April 2017 was £18.658M.

5.3 In an effort to reduce the deficit to a more manageable and sustainable level, the Revenue budget report elsewhere on this agenda recommends a transfer from revenue to the Capital Receipts Reserve, and this report recommends a draw of £3.248M from the New Homes Bonus Reserve to fully fund the Capital Investment programme to 2019/20.

5.4 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.

5.5 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.

Existing Capital Programme	**£'000**
Balance Capital Receipts Reserve (CRR) as at 1 April 2017	18,658.0
Total Capital Expenditure 2017/18 – 2019/20	(49,980.6)
Total Capital Financing 2017/18 – 2019/20	26,128.6
Forecast Deficit on CRR at 31 March 2020	**(5,194.0)**
Additional contribution from New Homes Bonus	3,248.4
Additional contribution from Revenue 2018/19 & 2019/20	1,945.6
Capital Receipts Reserve as at 31 March 2020	**0.0**

6 Revenue Consequences of the Capital Programme

6.1 The ongoing revenue impact of the capital bids has been built into Service estimates for 2018/19 and will be monitored throughout the year.

7 Corporate Objectives and Priorities

7.1 The capital programme enables capital investment to support the Council's priorities and to maintain its assets so that services may continue

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uninterrupted in the future.

8 Risk Analysis

8.1 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.

8.2 Each individual project will have specific risks attached to it. These will be identified by the responsible officer at the start of each project.

8.3 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.

9 Equality Issues

9.1 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.

10 Consultations

10.1 Ward members, Heads of Service and project managers were consulted in the update of the 2017/18 to 2019/20 Capital Programme.

11 Conclusion and reasons for recommendations

11.1 This report identifies new capital bids with a total cost of £666,400 (net cost of £608,400 allowing for funding from external sources). These bids will help to deliver the Council's key priorities and are recommended to be added to the Capital Programme.

The report also provides an update on the existing approved Capital Programme.

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Background Papers (Local Government Act 1972 Section 100D) None			
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	File Ref:	
(Portfolio: Finance) Councillor Giddings			
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Report to:	Cabinet	Date:	14 February 2018