

APPENDIX B

Report to Cabinet – 16 May 2018

ITEM

Capital Outturn 2017/18

Report of the Finance Portfolio Holder

Recommended:

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

Recommendation to Council

SUMMARY:

- This report summarises expenditure on the Capital Programme in 2017/18 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 2018/19 as detailed throughout the report and provides an updated capital programme for 2017/18 to 2019/20.

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 14 February 2018.
- 1.2 The purpose of this report is to present the final 2017/18 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 2018/19 and 2019/20.
- 1.3 Any slippage from 2017/18 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.

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- 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 2017/18

- 3.1 Annex 1 provides details of the revised estimate for individual schemes in 2017/18 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 £17.5M against a forecast of £19.7M during the 2017/18 financial year.
- 3.3 The following table shows how the overall variance of £2.2M in 2017/18 is broken down between Services:-

Service	Estimate	Actual	Variance
	£'000	£'000	£'000
Asset Management Projects	2,177.5	1,521.9	(655.6)
Community & Leisure	7,561.0	6,163.0	(1,398.0)
Estates, E.D. and Transport	940.6	1,044.7	104.1
Project Enterprise	7,893.4	7,855.9	(37.5)
Housing & Environmental Health	919.1	682.2	(236.9)
I.T.	0	0	0
Affordable Housing	207.5	207.5	0
Total	19,699.1	17,475.2	(2,223.9)

- 3.4 The main reasons for the variance in the year are explained in the following paragraphs.
- 3.5 Asset Management Projects

The Asset Management Plan was last reported to Cabinet on 15 November 2017. This identified the Council's requirement for maintaining its asset base over three categories; land & property; vehicles & plant and IT equipment.

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.

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Overall, capital expenditure in the year was £655,600 less than budgeted.

Detailed explanations of variances within the Asset Management Plan for 2017/18 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

3.6 Community & Leisure

The Community & Leisure capital programme has a variance of £1,398,000 against its forecast of £7,561,000.

The main reasons for this are:

- The Urban Realm Project was delayed due to the development of the Andover Leisure Centre. This project has now been deleted from the Capital Programme as consultations with regard to the 'Cultural Quarter' development are now being considered.
- The Community Asset Fund (CAF) is showing a variance for 2017/18 due to the timing of grant applications. Applicants have a total of two years in which to claim approved grants and a total of £157,900 of additional Capital grants have been added to the programme, £119,200 of which has been carried forward into 2018/19.
- The Multi Use Games Area (MUGA) and Play Areas at Picket Twenty are now being treated as one so the two schemes have been amalgamated. The MUGA is completed, all bar the lining for specific sports. The final play area is out to consultation resulting in further slippage of £44,000.
- East Anton Art Project Capital budget has been reduced by £9,000 as this cost is relating to maintenance and should be revenue expenditure. This project has also slipped by a further £30,000 as the adoption of the relevant piece of land was delayed. Planning permission has now been sought for the artwork and this project should complete by Autumn 2018.
- Charlton Lake footpath project has slipped by £2,000 as there is an element of re-seeding and making good adjoining areas which will be done in the next few weeks. A saving of £6,000 has been made on this project.
- Planning permission is being sought for the lighting element of the War Memorial project resulting in slippage of £12,100.
- The work on the War Memorial Park play areas should be completed in the next few weeks but there has been a slight delay due to the wet weather causing slippage of £9,300.
- There is a detailed confidential Leisure Contract capital update report elsewhere on this agenda.
- The project has slipped by £1,156,500 mainly due to delays caused by the safe removal of asbestos during the demolition phase of the contract.
- Fishlake Meadows contract has slipped slightly by £12,400 as weather conditions have not been favourable.

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3.7 Estates

A small saving was made on the strategic land and building purchase.

The contribution of £150,000 for Romsey Enhancement Works was paid to Hampshire County Council earlier than forecast.

George Yard Toilet Demolition was completed with a saving of £2,900.

3.8 Project Enterprise

Works on the Walworth Business Park Investment are now complete and a contingency figure of £164,700 has been held over to 2018/19 to cover any additional expenditure related to the sale/rental of the property.

Invoices for work done on Walworth Business Park Investment 2 have now been received increasing the expenditure for the current year but not changing the overall budget.

Investment Property 2 is now complete with a small saving of £5,500.

The completion of Investment Property 7 has slipped slightly but will show a small saving of approximately £6,000.

Investment Property 8 is now complete with a saving of £3,600.

Further information relating to the investments made by Project Enterprise is shown in the PE Outturn report elsewhere on this agenda.

3.9 Housing & Environmental Health

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.

As the Disabled Facilities Grants are a statutory requirement and require a referral from an Occupational Therapist, it is difficult to predict the amount of referrals in one year. For 2017/18 there is a total spend of £682,200 against a budget of £777,100. No Renovation and Minor Works grants have been awarded this year.

3.10 Slippage

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

Annex 2 shows details of the capital projects that have slipped from 2017/18 to 2018/19. The November and February updates identified slippage of £4,410,600. This report identifies a further £1,058,600 making the annual total £5,469,200. This excludes Asset Management items which are reviewed

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separately elsewhere on this agenda.

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

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:-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
February Programme	22,699.1	25,324.7	1,971.8	49,995.6
Current Programme	17,475.2	30,654.5	2,193.8	50,323.5
Increase / (Decrease)	(5,223.9)	5,329.8	222.0	327.9

- 4.2 The increase of £327,900 is broken down in the table below.

	February Programme £'000	Current Programme £'000	Increase / (Decrease) £'000
Asset Management Projects	4,528.1	4,344.9	(183.2)
Community & Leisure	22,478.6	22,760.0	281.4
Estates & Economic. Dev.	1,720.9	1,717.0	(3.9)
Project Enterprise	16,863.4	17,333.9	470.5
Housing & Env. Health	1,869.1	1,632.2	(236.9)
Total	47,460.1	47,788.0	327.9

- 4.3 The overall AMP budget requirement has reduced by £183,200 and is discussed in a separate report on this agenda.

- 4.4 The total budget for Community and Leisure has increased by £281,400 as explained below:

An additional project was added to the Community & Leisure programme being Public art at Adanac Park totalling £60,000 (approved by Cabinet on 18 April). This will be funded from the S106 Receipts.

The creation of a Community Asset Fund (CAF) was approved as part of the budget strategy on October 2013. The overall budget for the CAF is £300,000 per annum which is split between revenue and capital contributions. As the capital contributions have increased, additional budget of £100,000 has been

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added for 2018/19. Additionally, another £157,900 has been added for projects approved to the end of March 2018 meaning that £257,900 is added to the overall budget. The revenue grants will reduce to ensure that the total contributions remain within the £300,000 limit per annum. All CAF contributions are funded by New Homes Bonus.

Cancellation of the Urban Realm project has resulted in a return of accrued expenditure into the programme of £6,500 making a total saving of £21,500. Any spend to date will be transferred into Revenue costs. (£13.5k)

The transfer of capital back to revenue for the East Anton Public art project, has reduced the budget by £9,000.

A saving of £6,000 for Charlton Lakes Footpath has also reduced the budget.

- 4.5 Two new properties have been added to the programme for Project Enterprise. The first was agreed by the Member Panel on the 21 February 2018 and subsequently presented to Council on the 11 April 2018 (minute 306.1 refers). The second was agreed by the Member panel on the 29 March 2018 and will be presented to Council in June.

A further project of the installation of Solar Panels at Ganger Farm Pavilion was approved by Council on the 26 April 2018.

- 4.6 Disabled Facilities grants and Minor Renovation grants have been underspent in this financial year. This is as a result of no grant applications for Renovations or Minor Work Grants received this financial year. The actual spend in relation to DFGs is consistent with previous years. The allocation for 2017/18 was increased as it was anticipated that with the addition of an in house Occupational Therapist more applications would be processed. However, the post was not filled until December 2017 and the benefit is only just being realised.

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:-

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	February 2018	Outturn 2017/18
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2018	18,658.0	18,658.0
Total Capital Expenditure 2017/18 – 2019/20	(49,995.6)	(50,323.5)
Total Capital Financing 2017/18 – 2019/20	26,143.6	26,804.7
Forecast Deficit on CRR at 31 March 2020	(5,194.0)	(4,860.8)
Additional contribution from New Homes Bonus	3,248.4	3,248.4
Additional contribution from Revenue 2018/19 & 2019/20	1,945.6	1,973.2
Capital Receipts Reserve as at 31 March 2020	0.0	360.8

5.4 The deficit in the financing of the capital programme to 2019/20 is £4.9M. This represents a decrease to the forecasted deficit of £5.2M reported in February.

5.5 The main changes within the financing of the programme relate to:

- Preserved Right-to-Buy receipts increased in the year. The budget forecast was £254,000 and £889,000 will be received, an increase of £635,000.
- Funding of £142,000 for Minor Renovation Grants was not needed.
- An additional transfer from Revenue, of £27,600.
- Movement in Capital Receipts of £36,800.
- New projects added of £486,000.

6 Conclusion and reasons for recommendation

6.1 The positive variance between budgeted and actual expenditure was £5.2M in 2017/18. Apart from Asset Management budgets (discussed elsewhere on this agenda) the main variances to existing schemes within the Capital Programme were, slippage of projects as detailed in Annex 2 offset against the increased spend of Community Asset Fund grants and purchase of additional investment properties.

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.

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<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:	N/A
(Portfolio: Finance) Councillor Giddings			
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