

Capital Programme Update 2020/21 to 2022/23

Report of the Finance Portfolio Holder

Recommended:

1. That the new capital schemes with a total cost of £1,150,000 as shown in Annex 1 to the report, be added to the 2020/21 to 2022/23 Capital Programme.
2. That the revised estimates and financing for the 2020/21 to 2022/23 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 2020/21 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 2020/21 to 2022/23.
- The total cost of new projects recommended for inclusion in the Capital Programme is £1.15M. After taking into account external funding, the net cost of these bids is £300,000.
- The net cost of the capital bids is recommended to be funded from the Capital Receipts Reserve.

1 Introduction

- 1.1 The progress of the Capital Programme is reported to Councillors each year in May, November and February.
- 1.2 The last update was presented on 17 June 2020 and gave details of the overall expenditure and financing of the Capital Programme for 2019/20 to 2021/22.
- 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 new projects together with a brief explanation of the expected outcomes from each project is shown in Annex 1 to the report.

2.2 All 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 All projects that were submitted are recommended to be included in the Capital Programme.

3 Proposed Capital Programme 2020/21 to 2022/2

The 2020/21 to 2021/22 Capital Programme approved in June (19/20 outturn) had a total cost of £22.44M. There have been some changes since that time and these are summarised below.

	£'000
Approved Budget for 2020/21 to 2021/22	22,441.9
Changes to Asset Management Plan Requirement	1,414.5
Andover War Memorial	15.0
Boundary Fencing and Hedging	(15.0)
Pocket Park, Town Mills Access & Enhancement	(604.0)
Chantry Centre Lift refurbishment	2.7
Chantry Centre – new projects	414.4
Property Purchase	175.0
Domestic Investment Property 17	(196.5)
Portersbridge Properties	249.0
Walworth Business Park Investment	5,530.0
Project Enterprise – Schemes to be identified to 2022/23	(779.0)
Renovations & Minor Works Grants	(80.0)
Sub-total – movements in the existing Capital Programme	6,126.1
Cost of new bids for inclusion in programme. See Annex 1	1,150.0
Updated Estimate for 2020/21 to 2022/23	29,718.0

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 2021/22. The capital element of the report's recommendations is built in to the figures above.

Community & Leisure Projects

- 3.2 Andover War Memorial – due to the requirement for a lighting specialist and subsequent changes to the electrical supply the project cost has increased by £15,000 to £31,100. This can be funded by a saving made in the Foxcotte Boundary Hedging and Fencing project (see below).
- 3.3 Foxcotte Boundary Hedging and Fencing – due to a very competitive market this scheme will now come below budget enabling the surplus budget to be transferred to the War Memorial project.

Property & Asset Management Service

- 3.4 Pocket Park/Town Mills Enhancement – this project is being managed by Hampshire County Council (HCC) with contributions from Test Valley Borough Council's New Homes Bonus reserve and S106 contributions. TVBC also applied for and received £513k of Local Enterprise Funding. In previous reports we have included the full cost of the project but it is more relevant to only include TVBC costs. To that end, the project cost shown in the project has been reduced by an amount equivalent to the HCC funding.
- 3.5 Chantry Centre Lifts – Slight overspend of £2,700 due to an additional cost incurred relating to the mechanics of the project.
- 3.6 Chantry Centre projects – Several projects have been added to the Capital Programme that have been approved as part of the identified projects following the purchase of the Chantry Centre or subsequently by delegated authority. These are:

• Multi Story Car Park Lighting refurbishment	£136,700
• Chantry House Lifts	£117,700
• Chantry House Works	£48,100
• Chantry Centre Roof works	£99,100
• Chantry Centre Office relocation	£12,800

- 3.7 A property purchase for £175,000 was approved by Council on 11 November 2020.

Project Enterprise

- 3.8 Domestic Investment Property 17 – this has been removed from the programme as it is unlikely that the purchase will proceed.
- 3.9 Portersbridge Properties – these properties were returned to the Council following a 15 year lease. Approval was given by Cabinet 12 Feb 2020 (minute 311.1 & 2) to add budget to refurbish the properties to modern lettable standards. The former leaseholder is providing a contribution of £49,000 to cover the dilapidation works that should have been effected before the handover and the remainder will be funded from the Capital Receipts Reserve.

- 3.10 Walworth Business Park Investment – a joint project with Kier to develop land with construction of two units, was approved by Council 15 July 2020 (minute 118).

HEH

- 3.11 There have been fewer applications for Renovations and Minor Works Grants and, due to Covid restrictions, planned targeting for energy efficiency improvements has not progressed. Therefore, this budget has been reduced by £80,000 to £20,000.

Slippage in the Existing Capital Programme

- 3.12 Picket Twenty play areas and pavilion/pitch changes should have been spent in this current year but have slipped due to the developers trigger points not being reached. It is likely that this project will slip into 2021/22.
- 3.13 Romsey Flood Alleviation scheme is a project being delivered by the Environment Agency (EA) and the TVBC contribution is payable on completion of the scheme. The EA have now advised that this project will not be completed until October/November 2021 and therefore budget has slipped into 2021/22.

4 New Capital Projects

- 4.1 The total cost of new bids recommended to be added to the Capital Programme is £1.15M. After taking into account external funding the net cost of bids for consideration is £300k.
- 4.2 Annex 1 to the report shows a summary of all new capital projects together with an explanation of the project and its key deliverables.
- 4.3 Annex 2 to the report shows a summary of capital projects by Service. The projects recommended to be added to the Capital Programme are included in this Annex.

5 Financing the Capital Programme

- 5.1 It is recommended that the new capital projects are financed from Government grants and the Capital Receipts Reserve.

Resource Implications

- 5.2 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.
- 5.3 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.

5.4 The level of capital resources as at outturn for the capital programme is compared to those for the current programme in the following table:-

	Outturn 2019/20	November 2020
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2020	11,804.5	11,804.5
Total Capital Expenditure 2020/21 – 2022/23	(22,441.9)	(29,718.0)
Total Capital Financing 2020/21 – 2022/23	13,221.5	22,531.3
Capital Receipts Reserve Forecast as at 31 March 2022	2,584.1	4,617.8

5.5 The table shows that the forecast Capital Receipts Reserve is expected to move from a surplus of £11.8M to a surplus of £4.6M over the life of the existing programme.

6 Revenue Consequences of the Capital Programme

6.1 The ongoing revenue impact of the capital projects will be built into Service estimates for 2021/22 and will be included in the next budget update in January 2021.

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 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 cash flow 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.

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 Heads of Service and project managers were consulted in the update of the 2020/21 to 2022/23 Capital Programme.

11 Conclusion and reasons for recommendations

- 11.1 This report identifies new capital bids with a total cost of £1.15M (net cost of £300,000 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.

<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:	3	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
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Report to:	Cabinet	Date:	2 December 2020