

Capital Outturn 2020/21

Report of the Finance Portfolio Holder

Recommended:

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 2020/21 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 2021/22 as detailed throughout the report and provides an updated capital programme for 2020/21 to 2022/23.

1 Introduction

- 1.1 The progress of the Capital Programme is reported to Cabinet regularly throughout the year. The most recent update was presented on 10 February 2021.
- 1.2 The purpose of this report is to present the final 2020/21 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 2021/22 and 2022/23.
- 1.3 Any slippage from 2020/21 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 for new projects are included in the report. Where additional resources are necessary, the report addresses the reasons why they are requested and the method of funding them.

3 Capital outturn 2020/21

- 3.1 Annex 1 provides details of the revised estimate for individual schemes in 2020/21 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 £7.8M against an estimate of £12.3M during the 2020/21 financial year.
- 3.3 The following table shows how the overall variance (with removal of unidentified projects budget for 2020/21) of £4.5M in 2020/21 is broken down between Services:-

Service	Estimate £'000	Actual £'000	Variance £'000
Asset Management Projects	3,221.0	1,899.3	(1,321.7)
Community & Leisure	3,413.2	1,397.4	(2,015.8)
Property & Asset Management	1,724.1	1,205.0	(519.1)
Project Enterprise	2,244.5	1,829.0	(415.5)
Housing & Environmental Health	870.0	653.6	(216.4)
Affordable Housing	810.0	810.0	0.0
Total	12,282.8	7,794.3	(4,488.5)

- 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 2 December 2020. 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 £1.322M less than budgeted. Detailed explanations of variances within the Asset Management Plan for 2020/21 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

3.6 Community & Leisure

3.6.1 The Community and Leisure capital programme has a variance of £2,015,800 against the forecast of £3,413,200.

The main reasons for this are:

3.6.2 The Community Asset Fund (CAF) is showing a variance for 2020/21 due to the timing of grant applications - applicants have a total of two years in which to claim approved grants. A lower application rate together with adjusted timing resulted in a total of £145,500 being carried forward into 2021/22. A total of £26,200 has been written off due to applications exceeding the expiry date.

3.6.3 Residual budget has been carried forward into 2021/22 for the main Leisure Contract and dilapidations, with projects to be completed for Romsey Sports Centre and Charlton Lakes.

3.6.4 Fishlake Meadows – there has been increased slippage of £35,800 to that reported in February. Further capital work to paths, fencing and trees at the site were delayed due to contractor availability as a result of Covid.

3.6.5 Ganger Farm slippage – the majority of the work to the sports pavilion and field is complete and discussions are underway to finalise the remaining payment for works.

3.6.6 Fitness Trail Romsey – this project was completed with a saving of £4,400.

3.6.7 A saving of £6,000 for the boundary fencing cost for Foxcotte Park has been achieved due to negotiations of a favourable price for fencing.

3.6.8 The budget for the project at Sherfield English has slipped by £30,000 due to a delay relating to Covid and a saving of £63,800 is shown, due to the removal of a boardwalk from the project.

3.6.9 Approval was given by Council on the 7 April 2021, (min. 477.2.1.1 refers) for three public art projects to be added to the capital programme:

- Picket Piece Public Art - £27,000
- Picket Twenty Public Art - £69,000
- Andover Town Centre Public Art - £50,000

Community Infrastructure Levy (CIL) Projects

3.6.10 The majority of CIL funded projects are controlled by the local Parish Councils, so TVBC has no control over timings etc. There is a small amount of slippage due to Covid and therefore these projects will be completed in this financial year (21/22).

- Ampfield Recreation Ground - slippage of £1,800.
- Valley Park Community Centre – slippage £3,900

3.6.11 Two new projects funded by CIL (approved by Council 7 April 2021, minute 477.2.1.3 refers) have been added to the programme:

- Stockbridge Travel to School - £95,000
- King John's House and Signage - £36,500

3.6.12 An adjustment has been made to account for completed projects with budgeted amounts that were greater than the actual costs.

3.7 Property and Asset Management

- 3.7.1 Hampshire Community Bank – the trigger point for the payment of the contribution to the Hampshire Community Bank has not yet been met. The budget will be carried forward to 2021/22.
- 3.7.2 Pocket Park, Town Mill Access project is being delivered by Hampshire County Council and is being funded by a contribution of £133k by TVBC and contributions from Local Enterprise Partnership and Hampshire County Council – there has been slippage for this project due to Covid and also in finding a new location for water refill points. This project will be completed in 2021/22.
- 3.7.3 In order to ensure accurate specification of the generator requirement this project has been deferred to 2021/22.
- 3.7.4 Footpath Link, Smannell to Augusta – in order to find an alternative route for this scheme this project has been carried forward into 2021/22.
- 3.7.5 The strategic purchase approved by Council 13 February 2019 (minute 261 refers), was completed in the year. However, delays in reaching completion meant that some of the post-purchase costs have slipped into 2021/22.
- 3.7.6 Refurbishment of the Multi Storey Car Park lighting has been impacted by Covid resulting in slippage of £20,600.
- 3.7.7 The Chantry Centre Roof areas project has been delayed with remaining rain ingress problems to the glazed central atrium. Work is underway to resolve this but is problematic due to the necessity to keep the smoke vent functionality.
- 3.7.8 Chantry House Works project, was added to the programme following approval by delegated authority. This is being funded by the Local Enterprise Partnership.
- 3.7.9 A strategic land purchase costing £915,000 and funded by S106 receipts, was approved by Council on 7 April 2021(minute 484.1 refers), and subsequently added to the Capital programme.
- ### 3.8 Project Enterprise
- 3.8.1 Portersbridge Properties – Covid has impacted the repair work needed for these properties, therefore some costs have slipped in 2021/22.

- 3.8.2 Further information on Project Enterprise acquisitions is included in the Project Enterprise Outturn report elsewhere on this agenda.

3.9 Housing & Environmental Health

- 3.9.1 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.
- 3.9.2 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, some works require planning permission for other major works to be completed before the adaptations can be completed. For 2020/21 there is a total spend of £653,600 against a budget of £850,000. As these grants are funded by the Better Care Fund there has been no impact on the Capital Receipts Reserve. In relation to the Renovation and Minor Works grants, there has been no expenditure against a reduced budget of £20,000 - it is difficult to predict demand for these types of works.

3.10 Slippage

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

- 3.10.1 Annex 2 shows details of the capital projects that have slipped from 2020/21 to 2021/22. The December and February updates identified slippage of £2,435,000. This report identifies a further £2,682,600 making the annual total £5,117,600. This excludes Asset Management items which are reviewed separately elsewhere on this agenda.
- 3.10.2 Some slippage within a Capital Programme is entirely normal. Expenditure can be delayed for many reasons and is frequently outside the Council's control.
- 3.10.3 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 (less 2020/21 unidentified projects) is shown in the following table:-

	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
February Programme	12,282.8	14,647.2	202.5	27,132.5
Current Programme	7,794.3	34,310.1	4,202.5	46,306.9
Increase / (Decrease)	(4,488.5)	19,662.9	4,000.0	19,174.4

4.2 The increase of £19,174.4 is broken down in the table below.

	February Programme £'000	Current Programme £'000	Increase / (Decrease) £'000
Asset Management Projects	4,987.0	4,432.4	(554.6)
Community & Leisure	5,962.3	6,021.9	59.6
Property & Asset Management	2,498.7	3,649.0	1,150.3
Project Enterprise	10,244.5	28,980.0	18,735.5
Housing & Environmental. Health	1,820.0	1,603.6	(216.4)
Total	25,512.5	44,686.9	19,174.4

- 4.3 The overall AMP budget requirement has reduced by £554,600 and is discussed in a separate report on this agenda.
- 4.4 The total budget for Community and Leisure has increased by £59,600 as explained below:
- The addition of five new projects totalling £277,500 (para. 3.6.10 and 3.6.12) offset costs against savings for the project at Sherfield English (para. 3.6.9) and reduction in CAF grants (para.3.6.2)
- 4.5 Two new projects have been added to the programme for the Property and Asset Management service. The Strategic Land purchase was agreed by Council on the 7 April 2021 (minute 484.1 refers) funded from S106 receipts, and Chantry House Works Floor 4 & 5 funded by LEP as approved with delegated authority.
- 4.6 A new project costing £18.8M was added in respect of a Project Enterprise initiative.

4.7 The budget for unidentified projects was removed as there were no further investment opportunities available in 2020/21.

4.8 Disabled Facilities Grants (DFG) are underspent and there is no spend for Minor Renovation Grants. Explanations for this have been given in the paragraphs for the Outturn report.

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:-

	February 2020	Outturn 2020/21
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2019	11,804.5	11,804.5
Total Capital Expenditure 2020/21 – 2022/23	(29,353.5)	(27,504.9)
Total Capital Financing 2020/21 – 2022/23	22,594.0	24,653.7
Forecast CRR as at 31 March 2023	5,045.0	8,953.3

5.4 The table above does not include the £18.8M Project Enterprise investment (para 4.) as this will initially be financed through internal borrowing rather than the Capital Receipts Reserve.

6 Conclusion and reasons for recommendation

- 6.1 The positive variance between budgeted and actual expenditure was £4.5M in 2020/21. Reasons for this variance are explained in paragraph 3 of the report.
- 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)

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:	N/A
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Report to:	Cabinet	Date:	23 June 2021