

Capital Programme Update – 2018/19 to 2020/21

Report of the Finance Portfolio Holder

Recommended:

That the revised estimates and financing for the 2018/19 to 2020/21 Capital Programme as shown in Annex 1 to the report, be approved.

SUMMARY:

- This report updates Councillors on the progress of the existing 2018/19 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 7 November 2018 and gave details of the overall expenditure and financing of the Capital Programme for 2018/19 to 2020/21.
- 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.
- 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 2018 update.

	£'000
2018/19 to 2020/21 capital budget per November report	45,019.8
Community Asset Fund – Outstanding project cancelled	(25.0)
East Anton Public Art – project management	5.5
Saxon Fields Car Park – removal of project	(63.0)
Knightwood Skate Park - saving	(0.5)
Foxcotte land purchase - saving	(9.0)
Evolution 50 - saving	(104.7)
Investment properties purchases - saving	(6.6)
Investment properties – additional(2)	405.0
CCTV for vehicles - saving	(49.1)
Renovations & Minor Works – reduce budget	(20.0)
2018/19 to 2020/21 capital budget per Annex 1	45,152.4

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 2018/19 to 2019/20. A summary of project slippage is shown in Annex 2.

3.4 Asset Management Projects

The Asset Management Plan (AMP) was presented to Cabinet on 7 November 2018.

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 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

A community grant of £25,000 has been cancelled due to non-receipt of the claim within the time constraint of two years from approval.

Saxon Fields car park project has now been deleted from the programme. 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 on car parking at Saxon Fields.

An additional £5,500 has been added to the programme for the East Anton Public Art project as the project management fees had not been included in the capital budget. The additional funding will come from S106 contributions.

Slippage has been identified in the following projects:

The Public Art project at East Anton (as above) has progressed more quickly than anticipated and therefore £26,500 of costs have been brought forward into 2018/19.

Romsey Sports Centre (RSC) Skate Park - difficulties with obtaining planning permission have led to slippage in the programme.

Andover War Memorial – works underway but expected to slip into 2019/20 due to planning application delay.

Fitness Equipment, Valley Park - consultation for this project has been completed but as yet tenders have not been submitted therefore expected start to be in the first quarter of 2019/20.

Boundary fencing, Foxcotte Park – the purchase of land has been completed and it is anticipated that the boundary fencing will be erected in this financial year.

3.6 Estates, Economic Development & Transport

A small saving of £9,000 has been made on the land purchase at Foxcotte.

The Romsey Flood Alleviation Scheme project has slipped to 2019/20 due to delays the Environment Agency have encountered during the feasibility and design stage of the project.

Project Enterprise

Plot 37, Walworth Business Park (Evolution 50) has now been sold. This was a joint venture with Kier Developments and has resulted in a profit which will be shared equally between both parties. A saving of £104,000 is shown within the Capital programme expenditure budget. The proceeds from the sale will show within Capital receipts. A more detailed report will follow at Outturn.

Three property purchases have been completed with a small saving of £6,600.

Two additional properties were added to the 2018/19 programme at a cost of £202,500 each - these were approved by member panel on the 1st November 2018. Council approved the replenishment of the budget on the 21st November (minute 205.2).

Housing and Environmental Health

Due to the lack of Renovation and Minor Works Grant applications the budget for this year has been reduced by £20,000. As claims for these grants are unpredictable it is recommended that the budget remains for 2019/20.

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 2020/21 is £5.1M. 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.

Slippage within the Capital Programme

- 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 five additional projects that are expected to slip to 2019/20. The total slippage identified is £1.5M 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 the Capital Receipts Reserve.

Capital Receipts Reserve

- 5.2 The balance on the Capital Receipts Reserve as at 1st April 2018 was £10,972.5M.

- 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, funding the Capital Investment programme to 2020/21.
- 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. It must be noted that £3m allocated for 2018/19 Project Enterprise projects is currently included in the figures below but there are no anticipated projects for the programme at the moment. As previously noted the Capital receipt for the sale of Evolution 50 is showing in the Capital Financing line and the anticipated capital receipt figure is for the sale of an investment property due to complete in 2019/20.

Existing Capital Programme	November 2018 £'000	February 2019 £'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2018	10,972.5	10,972.5
Total Capital Expenditure 2018/19 – 2020/21	(45,019.8)	(45,152.4)
Total Capital Financing 2018/19 – 2020/21	30,586.9	34,951.9
Forecast Surplus on CRR at 31 March 2021	(3,460.4)	772.0
Anticipated Capital receipt for property sale in 2019/20	12,000.0	5,000.0
Capital Receipts Reserve as at 31 March 2021	8,539.6	5,772.0

6 Revenue Consequences of the Capital Programme

- 6.1 The ongoing revenue impact of the capital bids has been built into Service estimates for 2019/20 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 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. If there are no future sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme beyond 2020/21.

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 Portfolio Holders, Heads of Service and project managers were consulted in the update of the 2018/19 to 2020/21 Capital Programme.

11 Conclusion and reasons for recommendations

11.1 This report identifies new capital bids with a total cost of £405,000. These bids will help to deliver the Council's key priorities and are recommended to be added to the Capital Programme.

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

Background Papers (Local Government Act 1972 Section 100D)

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 Peter Giddings

Officer:

Laura Berntsen

Ext:

8204

Report to:

Cabinet

Date:

13 February 2019