

Report to Cabinet – 7 December 2022

Capital Programme Update 2022/23 to 2024/25

Report of the Finance and Resources Portfolio Holder

Recommended:

- 1. That the new capital schemes with a total cost of £3,185,500, as shown in Annex 2 to the report, be added to the 2022/23 to 2024/25 Capital Programme.**
- 2. That the revised estimates and financing for the 2022/23 to 2024/25 Capital Programme, as shown in Annex 1 to the report, be approved.**
- 3. That up to £80,000 be added to the revenue budget with effect from 2025/26 to reflect the anticipated costs of the East Anton sports facility.**

Recommendation to Council

SUMMARY:

- This report provides an update on the progress of the existing 2022/23 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 2022/23 to 2024/25.
- The total cost of new projects recommended for inclusion in the Capital Programme is £3.2M. After taking into account external funding and contributions from reserves, the net cost of these bids is £405,500.

1 Introduction

- 1.1** The progress of the Capital Programme is reported to Councillors each year, usually in May, December, and February.
- 1.2** The last update was presented on 22nd June 2022 and gave details of the overall expenditure and financing of the Capital Programme for 2021/22 to 2023/24.
- 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.

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2 New Capital Bids

2.1 All Services were invited to submit bids for new projects to be added to the Capital Programme. The summary in Annex 2 shows that a number of bids were received.

- Grants and loans relating to Housing and Community and Leisure (C&L) which are currently submitted each year
- Two new play area projects funded by S106
- A sports hall jointly funded by the developer, S106 and capital receipts for C&L,
- Property refurbishments for letting by Valley Housing Ltd
- A small project relating to the ongoing maintenance of Town Mills Park area.

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.

3 Proposed Capital Programme 2022/23 to 2024/5

3.1 The 2022/23 to 2023/24 Capital Programme approved in June (2021/22 outturn) had a total cost of £35.98M. There have been some changes since that time and these are summarised below.

	£'000
Approved Budget for 2022/23 to 2023/24	35,981.4
Changes to Asset Management Plan Requirement	1,142.2
Community Asset Fund – outstanding projects	65.1
Leisure Contract	(181.3)
Ganger Farm – Sports & Recreation	87.0
CIL funded projects - approved	283.5
Walworth Business Park Investment	2,370.0
Renovations & Minor Works Grants 2022/23	(50.0)
Sub-total – movements in the existing Capital Programme	39,697.9
Cost of new bids for inclusion in programme. See Annex 2	3,185.5
Updated Estimate for 2022/23 to 2024/25	42,883.4

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- 3.2 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 2023/24. The capital element of the report's recommendations is built into the figures above.

Community & Leisure Projects

- 3.3 The Community Asset Fund (CAF) is showing an adjustment due to an error in accruing for agreed applications last year. Three capital projects were added with a total of £65,056 which should have been carried forward. As these are funded by New Homes Bonus there will be no impact to the Capital Receipts Reserve.
- 3.4 Andover Leisure Centre – the remaining budgeted capital expenditure on this project has been reduced following a review of the potential amounts that remain outstanding in the contract. The overall combined revenue and capital cost will remain within the approved budget level.
- 3.5 Ganger Farm – the developer has paid a contribution of £87,000 to enable the planting of trees at the Ganger Farm facility. This should be completed by the end of this financial year.
- 3.6 The approval of the East Anton 4 Court Sports Hall will require an ongoing revenue commitment. As this project will not be completed until 2025/26 there is uncertainty with regard to the revenue cost to the Council but it is expected that it will not exceed £80,000. It is therefore recommended that this sum be added to the Medium Term Financial Forecast.

Community Infrastructure Levy Projects

- 3.7 CIL projects – one project has been added to the Community and Leisure programme and two projects have been added to the Property and Asset Management programme. All were approved by Council on the 6th April 2022 (minute 522.2.1.1) and are funded by the Community Infrastructure Levy.

Project Enterprise

- 3.8 Following a report to Council on the 7th September 2022, approval was given (minute 190) to proceed with the purchase of an investment property.

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- 3.9 This year there have been fewer applications for Renovations and Minor Works Grants than anticipated, due to the difficulty in predicting the requirement for these grants. Therefore, this budget has been reduced by 50% to £50,000.

Slippage in the Existing Capital Programme

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- 3.10 Currently the main slippage is for the Picket Twenty Sports Pavilion due to planning permission being impacted by ecology concerns. Community Infrastructure Levy projects to which we contribute and are beyond our control, have slipped and the project for Romsey Flood Alleviation Scheme, which is being delivered by the Environment Agency, is now planned for the next financial year when the contribution will be made once the work is completed.

4 New Capital Projects

- 4.1 The total cost of new bids recommended to be added to the Capital Programme is £3.2M. After applying external funding and internal reserves, the net cost of bids for consideration is £405,500.
- 4.2 Annex 1 shows a summary of capital projects by Service. The new projects recommended to be added to the Capital Programme are included in this.
- 4.3 Annex 2 shows a summary of all new capital projects together with an explanation of the project and its key deliverables.

5 Financing the Capital Programme

- 5.1 It is recommended that the new capital projects are financed from Government grants, specific reserves 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 resource forecasts are entirely accurate.
- 5.3 The maximum use of grants and contributions from external bodies and other internal reserves has been considered 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 2021/22	November 2022
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2022	7,936.4	7,936.4
Total Capital Expenditure 2022/23 – 2024/25	(17,179.4)	(24,081.4)
Total Capital Financing 2022/23 – 2024/25	18,017.8	18,518.3

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Capital Receipts Reserve Forecast as at 31 March 2025	8,774.8	2,373.3
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- 5.5 The table shows that the forecast Capital Receipts Reserve is expected to reduce from a balance of £7.9M to £2.4M over the life of the existing programme. Consideration should be given to finding additional streams of funding to cover any further investment in capital projects beyond 2023/24.
- 5.6 The difference between the total capital expenditure shown in the table above and Annex 1 represents the cost of the property investment shown on the Project Enterprise page. This project is to be initially funded from internal borrowing rather than the Capital Receipts Reserve.

6 Revenue consequences of the Capital Programme

- 6.1 The ongoing revenue impact of the projects recommended for inclusion in the Capital Programme have also been considered and, where required, are included in the recommendation for future budget approval.

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 A community consultation was undertaken over the spring/summer of 2021 to understand the community feeling and aspirations for Vigo Park open space. The work forms part of the Andover Vision programme. Over 600 people responded to the consultation.

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10.2 Heads of Service and project managers were consulted in the update of the 2022/23 to 2024/25 Capital Programme.

11 Conclusion and reasons for recommendation

11.1 This report identifies new capital bids with a total cost of £3.2M (net cost of £405,500 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:	2	File Ref:	N/A
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Report to:	Cabinet	Date:	7 December 2022