

**Report to Cabinet – 22 February 2023**

**Capital Programme Update – 2022/23 to 2024/25**

Report of the Finance and Resources Portfolio Holder

**Recommended:**

**That the revised estimates and financing for the 2022/23 to 2024/25 Capital Programme as shown in the Annex to the report, be approved.**

**Recommendation to Council**

**SUMMARY:**

- This report updates Councillors on the progress of the existing 2022/23 Capital programme and includes forecast changes to its timescale and total cost.
- It also provides an update 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 usually in May, December, and February.
- 1.2 The last update was presented on 7 December 2022 and gave details of the overall expenditure and financing of the Capital Programme for 2022/23 to 2024/25.
- 1.3 This report provides an update on the Capital Programme presented to that meeting and also examines how the costs of the updated 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 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 December report. A full breakdown of each Service’s Capital Programme and a summary of the General Fund Capital Programme Financing are shown in the Annex.

3.2 The table below analyses the movement in the capital programme since the December 2022 update.

	<b>£’000</b>
<b>2022/23 to 2024/25 capital budget per December report</b>	<b>42,883.4</b>
CIL projects – Approved January 2023	503.9
SANG – Sherfield English	(13.0)
Property Investment	(18,802.0)
Public Sector Decarbonisation Scheme	439.7
Changing Places Toilet Facilities	200.0
UK Shared Prosperity Fund projects	710.0
Disabled Facilities Grants/Loans	100.0
<b>2022/23 to 2024/25 capital budget per Annex</b>	<b>26,022.0</b>

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 2022/23 to 2023/24.

3.4 Asset Management Projects

The Asset Management Plan (AMP) was presented to Cabinet on 7 December 2022 and subsequently approved by Council on 25 January 2023.

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 whilst others represent capital expenditure.

The total cost of the capital items is summarised by category in the Annex. The detailed expenditure across all AMP projects will be reported at the end of the financial year.

### 3.5 Community and Leisure

CIL (Community Infrastructure Levy) projects - three projects have been added to the capital programme for Community and Leisure together with £100k additional funding for an existing project. These are all fully funded by the Community Infrastructure Levy so have no impact to the Capital Receipts Reserve (CRR).

Costs have been less than anticipated for the works at Sherfield English resulting in a saving of £13,000.

Fishlake Meadows – as the access works have been delayed this project has slipped into the next financial year.

Picket Twenty Phase 4 – Works have been held back to enable a consultation with residents on a wider package of play works which will include the two additional sites on the Picket Twenty extension. These are in the process of being laid out/transferred to Test Valley BC. This delay will improve the ultimate outcome for the community.

Andover BMX track floodlighting – due to a delay in planning permission caused by ecology issues, this project will slip into the next financial year.

### 3.6 Property & Asset Management

The council has recently been awarded £145,000 from the Department of Levelling Up, Housing & Communities for the installation of three changing places toilets. It is recommended that the project is added to the Property & Asset Management part of the Capital Programme.

It is anticipated that the total cost of the installations could be up to £200,000. The shortfall of £55,000 is recommended to be funded from the New Homes Bonus Reserve.

### 3.7 Project Enterprise

The property investment project was originally approved by Council on 7 April 2021 on the basis that the building would be pre-let – a key factor in mitigating the risk of the development. The potential tenant for the development has recently withdrawn their interest and therefore the project has been removed from the Capital Programme.

### 3.8 Planning Policy and Economic Development

Two new projects have been added.

- Working with Property and Asset Management Service the decarbonisation scheme at Bourne House, which was approved by Council 16 November 2022 (minute 316). This will be funded by a Business, Energy and Industrial Strategy (BEIS) grant of £221,900 and £217,800 from the Special Projects Reserve/AMP reserve.

- Several identified capital projects totalling £710,000 will be funded from the £1M UK Shared Prosperity Fund with the residual forming the revenue grant element for the identified projects. (Cabinet 29 September 2022).

### 3.9 Housing and Environmental Health

There has been an increase of budget for both Disabled Facility Grants and Loans to reflect the reported increase in spend. These are funded by the Better Care Fund so will not impact the overall financing of the Capital Programme.

## 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 may create a temporary deficit on the programme.
- 4.2 The forecast of funding remaining at 31 March 2025 for the Capital Programme is £3.3M, a reduction of £4.6M from the level of the Capital Receipts Reserve as at 1 April 2022.

### 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 slippage of £155,000. The reasons for the additional slippage have been explained in the paragraphs above and previous reports to Cabinet.

## 5 **Financing the Capital Programme.**

### Capital Receipts Reserve

- 5.1 The balance on the Capital Receipts Reserve as at 1 April 2022 was £7.936M.
- 5.2 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.
- 5.3 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.

<b>Existing Capital Programme</b>	<b>December 2022 £'000</b>	<b>February 2023 £'000</b>
Capital Receipts Reserve (CRR) as at 1 April 2022	7,936.4	7,936.4
Total Capital Expenditure 2022/23 – 2024/25	(24,081.4)	(26,022.0)
Total Capital Financing 2022/23 – 2024/25	18,518.3	21,383.6
<b>Capital Receipts Reserve as at 31 March 2025</b>	<b>2,373.3</b>	<b>3,298.0</b>

## 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 built into the budget for 2023/24.

## 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 Each individual project will have specific risks attached to it. These will be identified by the responsible officer at the start of each project.

8.2 The Capital Programme presented for approval takes into account all known future capital receipts. If there are no further sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme in the future.

## 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 2022/23 to 2024/25 Capital Programme.

## 11 Conclusion and reasons for recommendation

11.1 The report provides an update on the existing approved Capital Programme. There are changes to the previous update that was approved in December 2022.

## ANNEX C

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:	1	File Ref:	N/A
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(Portfolio: Finance and Resources) Councillor M Flood

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Report to:	Cabinet	Date:	22 February 2023
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