

## ITEM 8

## Capital Outturn 2018/19

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 2018/19 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 2019/20 as detailed throughout the report and provides an updated capital programme for 2018/19 to 2020/21.

### **1 Introduction**

- 1.1 The progress of the Capital Programme is reported to Cabinet regularly throughout the year. The most recent update was presented to Cabinet on 13 February 2019.
- 1.2 The purpose of this report is to present the final 2018/19 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 2019/20 and 2020/21.
- 1.3 Any slippage from 2018/19 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 on existing projects are included in the report. Where additional resources are necessary, the report will address the reasons why additional resources are requested and the method of funding those resources.

### **3 Capital Outturn 2018/19**

- 3.1 Annex 1 provides details of the revised estimate for individual schemes in 2018/19 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 £28.5M against a forecast of £27.3M during the 2018/19 financial year.
- 3.3 The following table shows how the overall variance of £1,250K in 2018/19 is broken down between Services:-

<b>Service</b>	<b>Estimate £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Asset Management Projects	2,542.7	1,783.7	(759.0)
Community & Leisure	14,480.4	12,768.7	(1,711.7)
Estates, E.D. and Transport	1,579.0	8,433.4	6,854.4
Project Enterprise	7,040.0	4,948.0	(2,092.0)
Housing & Environmental Health	780.0	557.4	(222.6)
I.T.	58.9	49.6	(9.3)
Affordable Housing	810.0	0.0	(810.0)
<b>Total</b>	<b>27,291.0</b>	<b>28,540.8</b>	<b>1,249.8</b>

- 3.4 The main reasons for the variance in the year are explained in the following paragraphs.

3.5 Asset Management Projects

The Asset Management Plan was last reported to Cabinet on 7 November 2018. This identified the Council's requirement for maintaining its asset base over three categories; land & property; vehicles & plant and IT equipment.

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.

Overall, capital expenditure in the year was £759,000 less than budgeted. Detailed explanations of variances within the Asset Management Plan for 2018/19 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

3.6 Community & Leisure

The Community & Leisure capital programme has a variance of £1,711,700 against its forecast of £14,480,400.

The main reasons for this are:

The Community Asset Fund (CAF) is showing a variance for 2018/19 due to the timing of grant applications - applicants have a total of two years in which to claim approved grants. A total of £233,600 has been carried forward into 2019/20.

The Multi Use Games Area (MUGA) at Picket Twenty is completed, with exception of the soft and hard landscaping for which £18,100 has been carried forward. An additional cost of £70,000 was added for Hampshire County Council works funded from the Commuted Sums Reserve. This is to fund a hard surfaced ball court for Pilgrims Cross Primary School following the relocation of the MUGA facility from its original locatiion

Knightwood Skate Park scheme has been implemented with the final retention and snagging works of £10,500 slipped into 2019/20.

The addition of a plinth for the Andover War Memorial is not likely to be completed until later this year, due to the need to obtain Listed Building Consent, together with the application for Faculty permission from the Diocese of Winchester, resulting in further slippage of £1,700.

The work on the Romsey War Memorial Park play areas has been completed with some snagging work due to be completed in 2019/20 causing slippage of £3,100.

There is slippage of £1,718,900 for the Leisure Contract with works to demolish the old Andover Leisure Centre building and works outstanding for Romsey Rapids and Charlton Lakes. An additional £377,300 has been added to the programme due to unforeseen works to the Andover Leisure site, as previously reported.

Knightwood Leisure Centre footpath link has now been completed with a saving of £10,800.

Jubilee Park Play areas, Nursling – all funds have been committed for this work which is due to complete in 2019/20.

Slippage of £50,700 is shown for Fishlake Meadows as costs from Hampshire Wildlife Trust have yet to be submitted.

Work started earlier than forecast for Public Art at Adanac Park, resulting in the original slippage reported reducing by £30,300.

Boundary Fencing and Hedging at Foxcotte Park – this project was originally budgeted in 2019/20 but was then forecast to be completed in 2018/19. The fencing element is complete but all hedging is yet to be planted causing slippage of £53,600.

### 3.7 Estates

Hampshire Community Bank – The bank continues to progress with the application for a banking licence however can only proceed at the pace determined by the regulator (the Bank of England via the Prudential Regulation Authority and the Financial Conduct Authority). Delays have arisen

through a combination of HCB being an entirely new concept requiring closer scrutiny and the implications of Brexit which has generated a significant extra regulatory workload for the regulators.

All works for Town Mill Access and Environmental Enhancement have now slipped due to the ongoing consultation for this area.

Further investigations into options, are still to be completed with regard to the generator purchase to ensure Business continuity.

The project for the Footpath Link from Smannell to Augusta Park has been put on hold due to negotiations between the Council and Hampshire County Council causing slippage of £164,000.

A small saving of £2,100 was made following the purchase of the land at Foxcotte.

### 3.8 Project Enterprise

Work on Evolution 50, Walworth Business Park has been completed and the unit has subsequently been sold (21.12.18). Following the final reconciliation a balancing figure of £97,300 has been included in the capital programme.

Works done on Walworth Business Park Investment 2 have slipped by £1,906.9M - this has not changed the overall budget. This project is expected to be completed during the summer of 2019.

Investment Property 12 is now complete with a saving of £12,900.

Investment Property 13 is now complete with a saving of £6,900.

The purchase of investment property 14 was completed in April 2019.

Further information relating to the investments made by Project Enterprise is shown in the PE Outturn report elsewhere on this agenda.

### 3.9 Housing & Environmental Health

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.

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. It has been advantageous to have an 'in house' OT to speed up the process and deliver more grants but some works require planning permission or other major works to be completed before the adaptations can be completed. For 2018/19 there is a total spend of £546,600 against a budget of £750,000. In relation to the Renovation and Minor Works grants, £10,800 has been spent against a budget of £30,000 as it is difficult to predict demand for these types of works.

### 3.10 IT

The slippage of £9,300 is due to awaiting the completion of an audit. Following the audit the project team are now considering options to move forward.

### 3.11 Affordable Housing

Nightingale Lodge – the old building has been demolished but upon detailed site investigations, unforeseen works were identified and further grant funding from Hampshire County Council was required. The additional funding has now been confirmed and the contract documents will be signed shortly. Anticipated completion of this scheme is for the end of 2020.

### 3.12 Slippage

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

Annex 2 shows details of the capital projects that have slipped from 2018/19 to 2019/20. The November and February updates identified slippage of £1,536,400. This report identifies a further £5,517,400 making the annual total £7,053,800. This excludes Asset Management items which are reviewed separately elsewhere on this agenda.

Some slippage within a Capital Programme is entirely normal. Expenditure can be delayed for many reasons and is frequently outside the Council's control.

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 is shown in the following table:-

	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>	<b>Total £'000</b>
February Programme	30,291.0	10,011.4	4,850.0	45,152.4
Current Programme	28,540.8	17,183.4	5,785.0	51,509.2
Increase / (Decrease)	(1,750.2)	7,172.0	935.0	6,356.8

4.2 The increase of £6.36M is broken down in the table below.

	<b>February Programme £'000</b>	<b>Current Programme £'000</b>	<b>Increase / (Decrease) £'000</b>
Asset Management Projects	4,500.9	4,334.3	(166.6)
Community & Leisure	18,606.3	19,019.3	413.0
Estates, E.D. and Transport.	1,936.3	11,251.9	9,315.6
Project Enterprise	16,100.0	13,117.4	(2,982.6)
Housing & Env. Health	1,730.0	1,507.4	(222.6)
<b>Total</b>	<b>42,873.5</b>	<b>49,230.3</b>	<b>6,356.8</b>

4.3 The overall AMP budget requirement has decreased by £166,600 and is discussed in a separate report on this agenda.

4.4 The total budget for Community and Leisure has increased by £413,000 as explained below:

The creation of a Community Asset Fund (CAF) was approved as part of the budget strategy on October 2013. The overall budget for the CAF is £300,000 per annum which is split between revenue and capital contributions. As the capital contributions have increased, additional budget of £100,000 had been added for 2018/19. The revenue grants will reduce to ensure that the total contributions remain within the £300,000 limit per annum. All CAF contributions are funded by New Homes Bonus. The total outstanding relating to projects approved in previous years, will be adjusted annually due to project applications expiring or being withdrawn. The adjustment for 2018/19 being £23,500, which relates to expired applications.

MUGA at Picket Twenty had an additional cost of £70,000 as discussed earlier in this report.

Additional costs of £377,300 have been added to the Leisure Centre Contract due to unforeseen works for asbestos removal and pipe works.

A saving of £10,800 was made on the Knightwood Leisure Centre footpath link.

4.5 Three new properties have been added to the programme for Estates, Economic Development and Transport service. The purchase of the Chantry Centre was agreed by Council on the 13 February 2019 (minute 262.1 refers). The second and third were agreed by Council on the 13 March 2019 (minute 292 & 293 refers). A contingency for Capital repairs on the Chantry Centre was reversed out of the programme following the purchase of the Centre.

- 4.6 An adjustment of £3.0M relating to the top up budget for unidentified projects for Project Enterprise, was made to the programme for 2018/19 – the budget remains for 2019/20 onwards.

A balancing cost of £37,300 has been added to the expenditure for Evolution 50 following the sale of the property.

Savings of £12,900 and £6,900 were made on two of the purchased properties in 2018/19.

- 4.7 Disabled Facilities Grants (DFG) and Minor Renovation Grants have been underspent in this financial year. 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.

The level of capital resources per the February programme is compared to those for the current programme in the following table:-

	<b>February 2019</b>	<b>Outturn 2018/19</b>
<b>Capital Programme</b>	<b>£'000</b>	<b>£'000</b>
Balance Capital Receipts Reserve (CRR) as at 1 April 2019	10,973.9	10,973.9
Total Capital Expenditure 2018/19 – 2020/21	(45,152.4)	(51,509.2)
Total Capital Financing 2018/19 – 2020/21	29,051.9	35,282.3
<b>Forecast deficit of CRR at 31 March 2021</b>	<b>(5,126.6)</b>	<b>(5,253.0)</b>
Loans from PWLB 2018/19 & 2019/20	5,900.0	7,897.2
<b>Forecast Capital Receipts Reserve as at 31 March 2021</b>	<b>773.4</b>	<b>2,644.2</b>

## 6 Conclusion and reasons for recommendation

- 6.1 The positive variance between budgeted and actual expenditure was £1,249,800 in 2018/19. 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.

<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
(Portfolio: Finance )			
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