

Capital Programme Update 2019/20 to 2021/22

Report of the Finance Portfolio Holder

Recommended:

- 1. That the new capital schemes with a total cost of £2,493,800 as shown in Annex 1 to the report be added to the 2019/20 to 2021/22 Capital Programme.**
- 2. That the revised estimates and financing for the 2019/20 to 2021/22 Capital Programme as shown in Annex 2 to the report, be approved.**

Recommendation to Council

SUMMARY:

- This report provides an update on the progress of the existing 2019/20 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 2019/20 to 2021/22.
- The total cost of new projects recommended for inclusion in the Capital Programme is £2.5M. After taking into account external funding, the net cost of these bids is £888,200.
- The net cost of the capital bids is recommended to be funded from Earmarked Reserves and the Capital Receipts Reserve.

1 Introduction

- 1.1 The progress of the Capital Programme is reported to Councillors each year in May, November and February.
- 1.2 The last update was presented on 20 May 2019 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 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.

2 New Capital Bids

- 2.1 All Services were invited to submit bids for new projects to be added to the Capital Programme. A summary of the new projects together with a brief explanation of the expected outcomes from each project is shown in Annex 1.

- 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.
- 2.3 All projects that were submitted are recommended to be included in the Capital Programme.

3 Proposed Capital Programme 2019/20 to 2021/22

The 2019/20 to 2020/21 Capital Programme approved in May (18/19 outturn) had a total cost of £23M. There have been some changes since that time and these are summarised below.

	£'000
Approved Budget for 2019/20 to 2020/21	22,968.4
Changes to Asset Management Plan Requirement	2,200.2
Community Asset Fund – funding 2021/22	250.0
Fitness Trail - Romsey	(10.0)
Pocket Park/ Town Mill Enhancement	1,047.7
Chantry Centre Purchase	71.5
High St Units	(1.0)
Columbus Quarter development	(906.9)
Galahad Close property	(21.4)
Project Enterprise – Schemes to be identified to 2021/22	3,000.0
Disabled Facilities Grants/Loans	(100.0)
Renovations & Minor Works Grants	(50.0)
Sub-total – movements in the existing Capital Programme	5,480.1
Cost of new bids for inclusion in programme. See Annex 1	2,493.8
Updated Estimate for 2019/20 to 2021/22	30,942.3

- 3.1 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 2020/21. The capital element of the report's recommendations is built in to the figures above.

Community & Leisure Projects

- 3.2 The two play area projects at Picket Twenty (Ref 2 and 19 in Annex 2) have been amalgamated as the allocation of the budget is relevant to both projects.
- 3.3 Fitness Trail, Romsey – this project has been reduced following public consultation.

Property & Asset Management Service

- 3.4 Pocket Park/Town Mills Enhancement – two projects with a total value of £203.2k were added to the Capital programme in year 2016/17 and 2017/18 - both of these projects were related to the area but were put on hold until consultation for this larger project had been made. Funding had been sought for a more detailed regeneration which has now been agreed resulting in an increase of the project costs to £1.25M all of which will be funded by external contributions and a grant from Enterprise M3 LEP.
- 3.5 Chantry Centre costs for the arrangement of leases of the purchased units were received post year end,
- 3.6 High St, Retail Units – a saving of £1,000 has been made.
- 3.7 Chantry Centre Toilet Refurbishment – project added following the purchase of the Chantry Centre.(approved by Council 13 March 2019. Minute 293)
- 3.8 New Car Park Machines – new project agreed at Cabinet (12 June 2019. Minute 54) funded by New Homes Bonus (NHB).
- 3.9 Southampton Rd, Pedestrian & Cycle Route – new project agreed by the Community Infrastructure Levy (CIL) Board, (Cabinet 5 December 2018, Minute 215) funded by CIL.
- 3.10 Botley Rd, informal crossing point – new project agreed by the Community Infrastructure Levy (CIL) Board, (Cabinet 5 December 2018, Minute 215) funded by CIL.

Project Enterprise

- 3.11 Following the sale of the Columbus Quarter, the final reconciliation is still pending but costs are expected to be less, and sale proceeds more, than previously budgeted.
- 3.12 Galahad Close Property – Savings of £21,400 made on the purchase and refurbishment of this investment property.
- 3.13 Two additional properties were added to the 2019/20 programme at a cost of £186,000 and £195,600 - these were approved by member panel on the 5 April and 28 August 2019.

HEH

- 3.14 There has been a reduction in the applications for Disabled Facilities Grants and Loans in the current year, therefore the budget has been reduced by £100,000.
- 3.15 There have also been fewer applications for Renovations and Minor Works Grants and this budget has also been reduced by 50% to £50,000.

Affordable Housing

- 3.16 Budget of £300,000 has been added to the Capital Programme for grants to registered providers as shown on Annex 1.

Slippage in the Existing Capital Programme (Annex 3)

- 3.17 Picket Twenty play areas and pavilion/pitch changes should have been spent in this current year but have slipped due to the developers trigger points not being reached.
- 3.18 SANG, Sherfield English – Phase Two of this project has slipped as autumn/winter weather conditions will affect works to the boardwalks.

4 New Capital Projects

- 4.1 The total cost of new bids recommended to be added to the Capital Programme is £2.5M. After taking into account external funding the net cost of bids for consideration is £888.2k.
- 4.2 Annex 1 shows a summary of all capital projects together with an explanation of the project and its key deliverables.
- 4.3 Annex 2 shows a summary of capital projects by Service. The projects recommended to be added to the Capital Programme are included in this Annex.

5 Financing the Capital Programme

- 5.1 It is recommended that the new capital projects are financed from external funding, the Capital Receipts Reserve, and the New Homes Bonus 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 or not resource forecasts are entirely accurate.

- 5.3 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. The total of this funding over the life of the recommended Capital Programme is estimated at £19.4M, leaving a shortfall of £5.5M. The sale of an investment property has provided a capital receipt of £6M reducing the deficit of £5.5M to a surplus to £0.5M.
- 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 2018/19	November 2019
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2019	6,021.9	6,021.9
Total Capital Expenditure 2019/20 – 2021/22	(22,968.4)	(30,942.3)
Total Capital Financing 2019/20 – 2021/22	13,690.7	19,445.4
Forecast Deficit on CRR at 31 March 2021	(3,255.8)	(5,475.0)
Capital Receipt for sale of properties	5,900.0	6,000.0
Capital Receipts Reserve Forecast as at 31 March 2021	2,644.2	525.0

- 5.5 The table shows that the forecast Capital Receipts Reserve is expected to move from a surplus of £2.6M to a surplus of £0.5M over the life of the existing programme.

6 Revenue Consequences of the Capital Programme

- 6.1 The ongoing revenue impact of the capital projects will be built into Service estimates for 2020/21 and will be included in the next budget update in January 2020.

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 Ward members, Heads of Service and project managers were consulted in the update of the 2019/20 to 2021/22 Capital Programme.

11 Conclusion and reasons for recommendations

- 11.1 This report identifies new capital bids with a total cost of £2.493M (net cost of £888,200 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:	3	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
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Report to:	Cabinet	Date:	6 November 2019