

Capital Programme Update – 2018/19 to 2020/21

Report of the Finance Portfolio Holder

Recommended:

1. That the new capital schemes with a total cost of £2.765M as shown in Annex 1, be added to the 2018/19 to 2020/21 Capital Programme.
2. That the revised estimates and financing for the 2018/19 to 2020/21 Capital Programme as shown in Annex 2, be approved.

Recommendation to Council

SUMMARY:

- This report provides an update on the progress of the existing 2018/19 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 2018/19 to 2020/21.
- The total cost of bids recommended for inclusion in the Capital Programme is £2.765M. After taking into account external funding, the net cost of these bids is £158,000.
- The net cost of the capital bids is recommended to be funded from the Capital Receipts Reserve and Earmarked Reserves.

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 27 June 2018 and gave details of the overall expenditure and financing of the Capital Programme for 2017/18 to 2019/20.
- 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 bids together with a brief explanation of the expected outcomes from each project is shown in Annex 1.

- 2.2 All bids for 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 bids that were submitted are recommended to be included in the Capital Programme.

3 Proposed Capital Programme 2018/19 to 2020/21

The 2018/19 to 2019/20 Capital Programme approved in June (17/18 outturn) had a total cost of £32.8M. There have been some changes since that time and these are summarised below.

	£'000
Approved Budget for 2018/19 to 2019/20	32,848.3
Changes to Asset Management Plan Requirement	1,677.9
Community Asset Fund 19/20 to 20/21	500.0
Community Asset Fund – o/s	(58.7)
Land – Sherfield English	357.0
Land Purchase	767.0
Romsey Flood Alleviation Scheme contribution	(15.0)
Andover Trade Park	(59.4)
Savings on Investment property purchases	(15.3)
Investment properties	403.0
Project Enterprise – Schemes to be identified to 2020/21	6,000.0
Disabled Facilities Grants/Loans	(100.0)
Renovations & Minor Works Grants	(50.0)
Sub-total – movements in the existing Capital Programme	42,254.8
Cost of new bids for inclusion in programme. See Annex 1	2,765.0
Updated Estimate for 2018/19 to 2019/20	45,019.8

- 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 2018/19. The capital element of the report's recommendations is built in to the figures above.

Community and Leisure Projects

- 3.2 Following a review of the outstanding claims in the Community Asset Fund budget, several claims have been removed due to exceeding the time limit imposed. Claimants can re-apply for grants.
- 3.3 The budget for 2019/20 to 2020/21 for the Community Asset Fund has been added to the programme – this is funded from the New Homes Bonus reserve.

Estates, Economic Development & Transport Projects

- 3.4 A purchase of land at Sherfield English was approved by Council to provide a Site of Natural Green Space (SANG) and thereby mitigate the use of the New Forest. (Council 7 August 2018. Minute 105)
- 3.5 The purchase of land was approved by Council (27 June 2018. Minute 111).
- 3.6 The cost of the works for the Flood Alleviation Scheme has increased by £520,000. 95% of this additional cost will be financed by the Environment Agency and Hampshire County Council. Test Valley Borough Council has been asked to increase its contribution by £25,000 to enable the scheme to be fully funded. £40,000 has been transferred to the Asset Management Plan to cover complementary revetment works, which has resulted in a net saving of £15,000 in the Capital programme.

Project Enterprise Projects

- 3.7 Savings of £59,400 were made on the purchase of Andover Trade Park.
- 3.8 Savings of £15,300 were made on Investment properties 9 and 10. (Project Enterprise Outturn report to Cabinet 16 May 2018 refers)
- 3.9 Two additional properties were added to the 2018/19 programme at a cost of £213,000 and £208,000 - these were approved by member panel on the 2 May and 11 May. Council approved the replenishment of the budget on the 27 June (minute 108.1). Subsequently, the first purchase has completed with a saving of £18,000 on the approved budget. The second is yet to complete.

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- 3.10 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.
- 3.11 There have also been fewer applications for Renovations and Minor Works Grants and therefore this budget has also been reduced by 50% to £50,000.

Slippage in the Existing Capital Programme

- 3.12 The proposed development of Ganger Farm, Sports and Recreation ground was added to the Capital Projects Schedule following agreement from Council on 25 February 2017. The building of the pavilion is due to commence this year but payment will not be made until the building reaches the damp proof course. It is presumed that this will happen in the 2019/20 financial year.

- 3.13 The delay in approving the final design for East Anton Public Art resulted in a delay to the fabrication which has subsequently commenced. This will take approximately five months, following which the foundations will be laid and installation will begin in May. Therefore, the cost will now be seen in 2019/20.
- 3.14 The design process for Adanac Park Public Art is now under way. This has to then be agreed, and following approval, planning permission will be sought. It is hoped that installation will begin in April/May next year.
- 3.15 Again, Town Mill River Improvements have been put on hold as they are now part of a larger area project.(see below)
- 3.16 The design work for the scheme for Town Mill Access and Environmental Enhancement has a cost in this year but the remaining budget of £122,300 has now been rescheduled for 2019/20.
- 3.17 As no schemes have come forward from registered providers, the budget of £300,000 in affordable housing has been moved into 2020/21.

4 New Capital Bids

- 4.1 The total cost of new bids recommended to be added to the Capital Programme is £2,765,000. After taking into account external funding the net cost of bids for consideration is £158,000.
- 4.2 Annex 1 shows a summary of all capital bids together with an explanation of the project and its key deliverables.
- 4.3 Annex 2 shows a summary of capital projects by Service. The bids 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 bids are financed from external funding, the Capital Receipts Reserve, and the New Homes Bonus Reserve (NHB).

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 £29M, leaving a shortfall of £3.5M.

Currently the sale of two investment properties in the current budget cycle has been approved giving an estimated capital receipt of £12M.

- 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 2017/18	November 2018
Capital Programme	£'000	£'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2018	10,972.5	10,972.5
Total Capital Expenditure 2018/19 – 2020/21	(32,848.3)	(45,019.8)
Total Capital Financing 2018/19 – 2020/21	22,236.6	30,586.9
Forecast Deficit on CRR at 31 March 2021	360.8	(3,460.4)
Capital Receipt for sale of properties (2 x subject to completion)		12,000.0
Capital Receipts Reserve Forecast as at 31 March 2021	360.8	8,539.6

- 5.5 The table shows that the forecast Capital Receipts Reserve is expected to move from a surplus of £361,000 to a surplus of £8.5M over the life of the existing programme.

6 Revenue Consequences of the Capital Programme

- 6.1 The ongoing revenue impact of the capital bids will be built into Service estimates for 2019/20 and will be included in the next budget update in January 2019.

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 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 £2.765M (net cost of £158,000 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 November 2018