

Capital Programme Update – 2019/20 to 2021/22

Report of the Finance Portfolio Holder

Recommended:

That the revised estimates and financing for the 2019/20 to 2021/22 Capital Programme as shown in Annex 1 to the report, be approved.

SUMMARY:

- This report updates Councillors on the progress of the existing 2019/20 Capital programme and includes forecast changes to its timescale and total cost.
- It updates Councillors 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 in June, November and February.
- 1.2 The last update was presented on 6 November 2019 and gave details of the overall expenditure and financing of the Capital Programme for 2019/20 to 2021/22.
- 1.3 This report provides an update on the Capital Programme presented to that meeting and also examines how the costs of the proposed new 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 approved 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 November report. A full breakdown of each Service's Capital Programme and a summary of the General Fund Capital Programme Financing are shown in Annex 1.
- 3.2 The table below analyses the movement in the capital programme since the November 2019 update.

	£'000
2019/20 to 2021/22 capital budget per November report	30,942.3
Community Asset Fund – Outstanding project saving	(4.2)
Andover Leisure Centre – additions	10.6
Ampfield Recreation Ground – addition of budget for CIL grant	66.4
Abbotswood Pitches	39.3
Approved CIL projects	535.7
Multi Story Car Park Lifts	136.4
Footway	25.0
Chantry Centre WiFi	15.0
Domestic Investment property – additional	196.5
Commercial Investment, Andover	1,412.4
Budget reduced for unidentified schemes in 19/20	(1,412.4)
Registered providers – removal of 19/20 budget	(300.0)
2019/20 to 2021/22 capital budget per Annex 1	31,663.0

- 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 2019/20 to 2020/21. A summary of project slippage is shown in Annex 2.

3.4 Asset Management Projects

The Asset Management Plan (AMP) was presented to Cabinet on 6 November 2019.

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 (and will be included in the revenue budget report) whilst others represent capital expenditure.

The total cost of the capital items is summarised by category in Annex 1. The detailed expenditure across all AMP projects will be reported at the end of the financial year.

3.5 Community and Leisure

Community Asset Fund - £4.2k being the remainder of a grant for a project in Romsey, has been written back as the project expenditure was less than expected.

Leisure Contract – a further £10.6k was added to the contract sum for additional asbestos removal.

Community Infrastructure Levy funded projects – following approval by Cabinet on 6 November 2019, £66.4k was added to the Ampfield Recreation Ground project along with six further projects at a cost of £535.7k in total.

Slippage has been identified in the following projects:

Leisure Contract - £398.5k has been slipped to 2020/21 due to plans being reviewed following concerns being raised about the proposed zip line at Charlton Lakes.

Property and Asset Management

Projects have been added since November. The first was a Footway £25k, which was approved by Cabinet on 15 January 2020 and is being funded from New Homes Bonus. The second being £15k for Andover Town Centre WiFi which is being funded from the Chantry Centre Reserve Fund and the Special Projects fund. The refurbishment of the multi storey car park lifts at a cost of £136.4k has been approved under delegated authority by the Head of Property and Asset Management in conjunction with the Finance portfolio holder and the Head of Finance with funding from the Chantry Centre Reserve.

Slippage has been identified in the following projects:

Due to difficulties with getting agreement for the provision of the footpath link between Smannell and Augusta Park the project has been delayed.

3.6 Project Enterprise

The purchase of a commercial investment at a cost of £1.4M was approved by the Head of Property and Asset Management in consultation with the member panel on 12 November 2019, this will be funded from the Capital Receipts Reserve.

An additional domestic investment property was added to the 2020/21 programme at a cost of £196,500 - this was approved by the Head of Property and Asset Management in consultation with the member panel on the 3 January 2020.

3.7 Affordable Housing

Due to the lack of claims by Registered Providers the budget for 2019/20 has been removed.

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 current surplus of funding for the Capital Programme to 2021/22 is £0.6M.

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 two additional projects that are expected to slip to 2020/21. The total slippage identified is £910.6k as shown in Annex 2. The reasons for the slippage have been explained in the paragraphs above.

5 **Financing the Capital Programme.**

Capital Receipts Reserve

5.1 The balance on the Capital Receipts Reserve as at 1 April 2019 was £6.022M.

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.

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. It must be noted that £3m allocated for 2019/20 Project Enterprise projects has been reduced by the budget for the retail unit to be purchased before year end.

Existing Capital Programme	November 2019 £'000	February 2020 £'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2019	6,021.9	6,021.9
Total Capital Expenditure 2019/20 – 2021/22	(30,942.3)	(31,663.0)
Total Capital Financing 2019/20 – 2021/22	19,445.4	19,917.3
Forecast Deficit on CRR at 31 March 2022	(5,475.0)	(5,728.2)
Capital receipt for sale of property	6,000.0	6,298.9
Capital Receipts Reserve as at 31 March 2022	525.0	575.1

6 Revenue Consequences of the Capital Programme

6.1 The ongoing revenue impact of the capital budget has been built into Service estimates for 2020/21 and will be monitored throughout the year.

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 future sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme beyond 2021/22.

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 2019/20 to 2021/22 Capital Programme.

11 Conclusion and reasons for recommendation

11.1 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
(Portfolio: Finance) Councillor M Flood			
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