

Capital Outturn 2019/20

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 2019/20 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 2020/21 as detailed throughout the report and provides an updated capital programme for 2019/20 to 2021/22.

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 12 February 2020.
- 1.2 The purpose of this report is to present the final 2019/20 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 2020/21 and 2021/22.
- 1.3 Any slippage from 2019/20 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 2019/20

- 3.1 Annex 1 provides details of the revised estimate for individual schemes in 2019/20 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 £7.8M against an estimate of £15.0M during the 2019/20 financial year.

3.3 The following table shows how the overall variance of £7.242M in 2019/20 is broken down between Services:-

Service	Estimate £'000	Actual £'000	Variance £'000
Asset Management Projects	1,962.8	1,199.3	(763.5)
Community & Leisure	4,161.5	1,783.8	(2,377.7)
Property & Asset Management	4,261.2	2,474.3	(1,786.9)
Project Enterprise	3,035.1	1,532.9	(1,502.2)
Housing & Environmental Health	800.0	807.7	7.7
I.T.	9.3	0	(9.3)
Affordable Housing	810.0	0	(810.0)
Total	15,039.9	7,798.0	(7,241.9)

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

3.5 Asset Management Projects

3.5.1 The Asset Management Plan was last reported to Cabinet on 6 November 2019. This identified the Council's requirement for maintaining its asset base over three categories; land & property; vehicles & plant and IT equipment.

3.5.2 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.

3.5.3 Overall, capital expenditure in the year was £763,500 less than budgeted. Detailed explanations of variances within the Asset Management Plan for 2019/20 are included in the Asset Management Plan Outturn report elsewhere on this agenda.

3.6 Community & Leisure

3.6.1 The Community and Leisure capital programme has a variance of £2,377,700 against the forecast of £4,161,500.

The main reasons for this are:

- 3.6.2 The Community Asset Fund (CAF) is showing a variance for 2019/20 due to the timing of grant applications - applicants have a total of two years in which to claim approved grants. A total of £199,100 has been carried forward into 2020/21.
 - 3.6.3 Two projects in the programme are showing a saving being, Charlton Lakes Footpath, £2k and War Memorial Park Play Area upgrade, £2.7k. These are offset against a small overspend relating to the Jubilee Park, Nursling Play Area of £200.
 - 3.6.4 The public art project at Adanac Park has overspent slightly by £600 due to additional licence fees due to the landlord.
 - 3.6.5 In respect of land protection works, additional costs of £12,000 for bunding and new gates were incurred. This excess will be funded from the Capital Receipts Reserve.
 - 3.6.6 There is slippage of £1,399,300 for the Leisure Contract with works outstanding for Andover Leisure Centre and Charlton Lakes.
 - 3.6.7 Andover War Memorial project has slipped by £16,000 due to finalising lighting specification issues.
 - 3.6.8 Ganger Farm slippage – negotiations are under way with the developer on the final details of the fit out for the sports pavilion prior to transfer of £601,000, being the balance of the grant funded by S106 receipts.
 - 3.6.9 Ampfield Recreation Ground contribution which is funded by Community Infrastructure Levy (CIL), has also slipped into 2020/21.
 - 3.6.10 The fencing, planting of the canal buffer and works compound, and canal restoration at Fishlake Meadows project has been delayed as land has not, as yet, been transferred to TVBC.
- 3.7 Property and Asset Management
- 3.7.1 Pocket Park, Town Mill Access project is being delivered by Hampshire County Council and is being funded by a contribution of £133k by TVBC and contributions from Local Enterprise Partnership and Hampshire County Council - this will be delivered in 2020/21.
 - 3.7.2 Romsey Flood Alleviation scheme is being delivered by the Environment Agency and has been delayed. TVBC contribution will be paid when the scheme is completed.
 - 3.7.3 The business continuity generator project was put on hold to enable recruitment of a Building Services Engineer. This position has now been filled and the project is able to move forward.
 - 3.7.4 Due to having to go to probate there has been a delay in completing the strategic purchase, approved by Council on 13 February 2019. Therefore it has slipped into 2020/21.

- 3.7.5 Refurbishment of the Multi Storey Car Park Lifts was impacted by the coronavirus and has resulted in slippage of £75,600.
- 3.7.6 A small saving of £500 was incurred during the purchase of new ticket machines for the car parks.
- 3.7.7 Botley Road informal crossing point was completed with a saving of £3,200.
- 3.7.8 Hurstbourne Tarrant Flood Alleviation Scheme contribution was added to the programme and is funded by CIL.

3.8 Project Enterprise

- 3.8.1 The completion of the joint development project of the Columbus Quarter on Walworth Business Park and the reconciliation has resulted in an adjustment of £33.8k for the expenditure for this project.
- 3.8.2 Ganger Farm Pavilion solar panels – these panels have been installed but due to the current situation have not been commissioned and therefore will be completed in 2020/21.
- 3.8.3 Commercial Investment, Andover – this was expected to be completed in March but due to the pandemic all work ceased and should now be completed in 2020/21.
- 3.8.4 Further information on Project Enterprise acquisitions is included in the Project Enterprise Outturn report elsewhere on this agenda.

3.9 Housing & Environmental Health

- 3.9.1 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.
- 3.9.2 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, some works require planning permission or other major works to be completed before the adaptations can be completed. For 2019/20 there is a total spend of £807,700 against a budget of £750,000 and as these grants are funded by the Better Care Fund there has been no impact on the Capital Receipts Reserve. In relation to the Renovation and Minor Works grants, there has been no expenditure against a budget of £50,000 - it is difficult to predict demand for these types of works.

3.10 IT

This project has been removed from the programme as the scheme is outdated and has now been addressed in the AMP.

3.11 Affordable Housing

Whilst the Nightingale Lodge development had started on site, and whilst the grant agreement was completed and signed by TVBC it has not been signed and returned by the Registered Provider and therefore the first tranche payment could not be paid. It is anticipated that the grant agreement will be signed and returned, and the grant paid, in the next few months.

3.12 Slippage

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

3.12.1 Annex 2 shows details of the capital projects that have slipped from 2019/20 to 2020/21. The November and February updates identified slippage of £940,300. This report identifies a further £6,613,100 making the annual total £7,553,400. This excludes Asset Management items which are reviewed separately elsewhere on this agenda.

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

3.12.3 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:-

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
February Programme	15,039.9	11,485.5	3,550.0	30,075.4
Current Programme	7,798.0	18,081.9	4,360.0	30,239.9
Increase / (Decrease)	(7,241.9)	6,596.4	810.0	164.5

4.2 The increase of £164,500 is broken down in the table below.

	February Programme £'000	Current Programme £'000	Increase / (Decrease) £'000
Asset Management Projects	4,750.8	4,771.8	21.0
Community & Leisure	7,273.5	7,282.4	8.9
Property & Asset Management	4,840.2	5,013.1	172.9
Project Enterprise	9,231.6	9,194.9	(36.7)
Housing & Env. Health	1,750.0	1,757.7	7.7
IT	9.3	0.0	(9.3)
Affordable Housing	2,220.0	2,220.0	0
Total	30,075.4	30,239.9	164.5

4.3 The overall AMP budget requirement has increased by £21,000 and is discussed in a separate report on this agenda.

4.4 The total budget for Community and Leisure has increased by £8,900 as explained below:

The creation of a Community Asset Fund (CAF) was approved as part of the budget strategy in October 2013. The overall budget for the CAF is £300,000 per annum which is split between revenue and capital contributions. Revenue and capital grants will always 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 2019/20 is £5,200, which relates to an expired application and a slight increase in capital grants being awarded for this year.

4.5 Two new projects have been added to the programme for Property and Asset Management service. The CCTV installation was agreed by Council on the 26 February 2020 (minute 344.3 refers) funded from the revenue contingency budget, and Hurstbourne Tarrant Flood Alleviation Scheme was part of the CIL allocation agreed by Council on the 20 November 2019 (minute 224.2.2.3).

4.6 Savings of £6,400 and £600 were made on two of the purchased properties in 2019/20, which offset an overspend of £4,100 on the third acquisition.

4.7 Disabled Facilities Grants (DFG) are slightly overspent, offset against no spend for Minor Renovation Grants. 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.
- 5.3 The level of capital resources per the February programme is compared to those for the current programme in the following table:-

	February 2020	Outturn 2019/20
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	(30,075.4)	(30,239.9)
Total Capital Financing 2019/20 – 2021/22	24,666.2	25,252.1
Forecast (deficit)/credit of CRR at 31 March 2022	612.7	1,034.1
Loans from PWLB 2019/20	1,550.0	1,550.0
Forecast Capital Receipts Reserve as at 31 March 2022	2,162.7	2,584.1

6 Conclusion and reasons for recommendation

- 6.1 The positive variance between budgeted and actual expenditure was £7.3M in 2019/20. 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.

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:	2	File Ref:	N/A
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(Portfolio: Finance) Councillor M Flood

Officer:	Laura Berntsen	Ext:	8204
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Report to:	Cabinet	Date:	17 June 2020
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