

**CAPITAL PROGRAMME MONITORING AND FORECASTING
POSITION AS AT OCTOBER 2017**

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report informs Members of the latest forecast of the Council's Capital Programme for 2017/18 based on the monitoring exercise carried out during October.

RECOMMENDATION:

Members are requested to note the latest Capital Programme monitoring and the Prudential Indicators for 2017/18 at Appendix B

1. INTRODUCTION

- 1.1 This report informs Members of the latest forecast regarding the Council's Capital Programme for 2017/18, based on the monitoring exercise carried out during October.

2. BACKGROUND

- 2.1 Financial Services, in consultation with relevant budget officers, carry out regular monitoring of the Capital Programme.
- 2.2 A summary of the overall position is shown in Appendix A.

3. CURRENT POSITION

- 3.1 Point 3 of the Council's 8-Point Plan supporting its objectives of financial and organisational sustainability is to look at income generation and investment opportunities.
- 3.2 As part of the budget process, schemes were robustly reviewed and prioritised and Council approved the core programme on 23 February 2017 at £13,629,000. Further changes for slippage from the previous financial year and additional approvals bring the total approved Capital Programme for 2017/18 to £36,988,000. The table that follows shows the current approved budget together with the projected actual capital

expenditure for the year 2017/18.

Analysis of capital expenditure and approved budget for the year 2017/18	£000
Total approved budget for the year 2017/18	13,629
Slippage from 2016/17 added to the current approved budget	6,020
Additional budget approvals made for the year 2017/18	17,339
Total approved budget for 2017/18	36,988
Forecast capital expenditure for the year	30,447
Net favourable variance (against the approved budget)	(6,541)
<i>Element of the above variance that will be slipped into 2018/19</i>	<i>4,657</i>

- 3.3 There are some projects of major financial significance included in the Council's approved Capital Programme for 2017/18. These projects are (a) continued construction of the Council's new Depot, (b) Aldershot Town Centre Integration, (c) Union Street (Aldershot) developments, (d) finalisation of a loan to Farnborough International & (e) further acquisition of investment properties.
- 3.4 At the time of compiling this report evaluation of soil conditions at the new Depot site is underway. There continues to be a risk to the budget position depending on this matter. Cabinet members will be updated in a separate report.
- 3.5 A Portfolio summary of all approved projects is shown at Appendix A to this report. This Appendix includes a list of all expenditure and grant/contribution variations that have been approved since the Original Estimate for 2017/18 was approved prior to the start of the financial year 2017/18.
- 3.6 The significant over/(under) spend variations to date are as follows:

Scheme	Explanation	Over / (Under) Spend £000s
CORPORATE PROPERTIES Purchase of Land - Ball Hill (SANG)	Purchase will not proceed and funds originally borrowed for the purpose have now been returned to the Enterprise M3 LEP Note the resulting funding reduction stated in the table at 3.8	(1,696)

CORPORATE PROPERTIES Lease purchase 2A Windsor Way	The lease has been purchased at a reduced price reflecting the community use value rather than housing value. Resale for community use is considered likely which would result in the generation of a capital receipt for the Council.	(25)
CORPORATE PROPERTIES Purchase of Plot 10A Wellesley House	Works are complete. Overspends have occurred in relation to extended duration of maintaining scaffolding, roof improvement, air conditioning units and asbestos contamination.	20
ALDERSHOT POOLS COMPLEX Replacement Ceiling	Work not as extensive as originally envisaged resulting in an under-spend	(62)
CAR PARKS Pay and display machines replacement	Savings have been made in relation to a procurement exercise	(50)
ICT/DIGITAL STRATEGY Council Website	An overspend anticipated with potential virement as part of the revised estimate process from the security/cyber/development resources scheme and miscellaneous scheme	12
ICT/DIGITAL STRATEGY Security/Cyber/Development Resources	An underspend anticipated with potential virement as part of the revised estimate process to the Council Website scheme	(10)
REDEVELOPMENT Civic Quarter, Farnborough	A forecast underspend, for which external funding is now less than originally budgeted. Note the resulting funding reduction stated in the table at 3.8, therefore the net underspend is £10k	(70)
MANOR PARK COTTAGE Redecoration and repairs	After allowing for modest adaptation improvements this project will result in an under-spend due to utilising the “skilled up” workforce	(14)

3.7 The major areas of slippage identified to date which are included within the (Appendix A) net reduction in spend of £6,541,000 against the approved Capital Programme are provided in the table that follows:

Scheme	Explanation	Slippage to 2018/19 £000s
CORPORATE PROPERTIES 36 – 62 Union Street (part of Regeneration of Union St East)	Acquisitions proceeding less quickly than planned. Schedule of acquisitions to be reviewed as part of the whole site development.	(1,935)
FLEXIBLE USE OF CAPITAL RECEIPTS	Suitable scheme application circumstances being considered. Budget amount slipped to the third qualifying year (2018/19)	(342)
COUNCIL OFFICES Building Management System	Installation of the new Building Management System to be deferred to 2018/19 financial year for technical reasons	(45)
ACTIVATION ALDERSHOT Project 2 phase 6 Aldershot Station	Enterprise M3 LEP grant funding must be spent in the current year and has been forecasted accordingly. Remainder of the budget will likely slip to 2018/19 due to a change in franchise operator on the South West trains service	(896)
ALPINE SNOWSPORTS Slope maintenance	Detailed conditions' survey to be commissioned to determine slope maintenance requirements. Scheme of works will not start in the current financial year	(37)
DEPOTS Construction of the Council Depot	Slippage to 2018/19 due to the change in contractors and unforeseen difficulties with the site.	(1,000)
CAR PARKS Enhancement Contract Costs	Expenditure for current year engaged on refurbishing Pinehurst car park. However, only £50k of this budget is anticipated to be spent in 17/18. Remaining budget will therefore carry forward to the following financial year (18/19)	(143)
MANOR PARK Construction of a property	Plans are being redrawn to accommodate for disabled access and then resubmitted for planning permission. Construction may slip into 2018/19.	(191)

CYCLEWAY LINKS Cove Green cycleway	Project is linked with the Hazel Avenue to Arrow Road Cycleway. Delays cause slippage into 2018/19	(14)
BRICKFIELD COUNTRY PARK Improvement Works	There is a need to determine disposal options and potential costs for any future dredging works. Progress on this scheme has been slower than originally anticipated resulting in slippage into 2018/19	(23)
MAYFIELD REGENERATION Environmental Improvements	Project utilises the Skilled Up Team, and other work priorities result in slippage to the next financial year.	(18)

3.8 The material variances in relation to schemes financed by grants/contributions are as follows:

Scheme	Explanation	Grant funding £000s
MUNICIPAL GARDENS Playground refurbishment	Additional funds were achieved from the SUEZ Communities Trust.	(50)
CORPORATE PROPERTIES Purchase of Land - Ball Hill (SANG)	Funds originally borrowed for the purchase have now been returned to the Enterprise M3 LEP Note the resulting capital expenditure under-spend stated in the table at 3.6	1,696
ACTIVATION ALDERSHOT - Project 2 phase 6 Aldershot Station	Funding now expected to be: Local Growth Fund £900k Hampshire County Council £180k South West Trains £100k Aggregating to a total amount of £1,180k ... current budget plan indicated £560k, resulting an improvement in the level of available external funding of £620k ... only £340k of this funding will be utilised in the current year and the remainder will slip into 18/19	(620)
REDEVELOPMENT Civic Quarter, Farnborough	Funding from HCA was originally considered achievable but bid eventually proved unsuccessful. Note the related capital expenditure under-spend stated in the table at 3.6	60

4. CONCLUSIONS

- 4.1 Slippage has been identified on several schemes and these are shown above, along with any other material variations.
- 4.2 The Council's 2017/18 Capital Programme is currently forecast to spend £30.447m, £16.818m above the original approved budget of £13.629m, largely due to the inclusion of significant commercial property acquisitions under the Council's 8-point plan for financial sustainability, which will provide on-going revenue income to support the Council's priorities.
- 4.3 The effect on the Council's Prudential Indicators in relation to the additional capital expenditure approvals made since the Annual Treasury Management Strategy was revised and approved at Council 27th July 2017 is given at Appendix B to this report. Members are requested to note the changes.

Contact Details:

Report Author: Martin Dawson Martin.Dawson@Rushmoor.gov.uk 01252 398441

Head of Service: Amanda Fahey Amanda.Fahey@Rushmoor.gov.uk 01252 398440

CAPITAL PROGRAMME MONITORING SUMMARY 2017/18

Expenditure	SLIPPAGE FROM 2016/17	ORIGINAL BUDGET 2017/18	ADDITIONAL BUDGET APPROVALS 2017/18	TOTAL APPROVED BUDGET 2017/18	ACTUAL AS AT 30.09.2017	COMMITMENTS AS AT 30.09.2017	ACTUALS PLUS COMMITMENTS	VARIANCE	FORECAST SPEND 2017/18	FORECAST SPEND LESS APPROVED BUDGET	SLIPPAGE TO 2018/19
PORTFOLIO	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CORPORATE SERVICES	3,322	6,764	17,082	27,168	4,095	244	4,339	(22,829)	23,148	(4,020)	2,322
LEISURE & YOUTH	253	362	257	872	271	47	318	(554)	539	(333)	261
ENVIRONMENT & SERVICE DELIVERY	2,269	5,455	0	7,724	338	509	847	(6,877)	5,529	(2,195)	2,074
BUSINESS, SAFETY & REGULATION	69	83	0	152	24	0	24	(128)	158	6	0
HEALTH & HOUSING	107	965	0	1,072	441	0	441	(631)	1,073	1	0
TOTAL	6,020	13,629	17,339	36,988	5,169	800	5,969	(31,019)	30,447	(6,541)	4,657

Variations to Programme Approved 2017/18

	Approved By	Date	£
Original Budget 2017/18 - Various Projects	Full Council	23.02.17	13,629,000
Construction of a dwelling	Cabinet	04.04.17	211,000
Flexible Use of Capital Receipts	Cabinet	04.04.17	300,000
Farnborough Skate Park Refurbishment	DMB	25.04.17	17,000
Manor Park Depot New Paving and Tarmac	DMB	09.05.17	5,800
Slippage from 2016/17 - Various Projects	Cabinet	30.05.17	6,415,150
Prespend of 2017/18 - Various Projects	Cabinet	30.05.17	-394,900
Manor Park Chain Link Fence Replacement	Cabinet	30.05.17	23,000
Purchase of Commercial Property	Cabinet	30.05.17	1,781,500
Acquisition of Investment Properties	Full Council	27.07.17	15,000,000
		Total Approved Budget	36,987,550

S106 and Grants & Contributions	SLIPPAGE FROM 2016/17	ORIGINAL BUDGET 2017/18	ADDITIONAL BUDGET APPROVALS 2017/18	TOTAL APPROVED BUDGET 2017/18	FORECAST S106 AND GRANTS & CONT'S AS AT 30.09.2017	VARIANCE
PORTFOLIO	£'000	£'000	£'000	£'000	£'000	£'000
CORPORATE SERVICES	0	(1,696)	0	(1,696)	(4)	1,692
LEISURE & YOUTH	(102)	(63)	(23)	(188)	(231)	(43)
ENVIRONMENT & SERVICE DELIVERY	(1,425)	(710)	0	(2,135)	(2,695)	(560)
BUSINESS, SAFETY & REGULATION	0	0	0	0	0	0
HEALTH & HOUSING	(103)	(816)	0	(919)	(919)	0
TOTAL	(1,630)	(3,285)	(23)	(4,938)	(3,849)	1,089

Variations to Programme Approved 2017/18

	Approved By	Date	£
Original Budget 2017/18 - Various Projects	Full Council	23.02.17	-3,285,000
Slippage from 2016/17 - Various Projects	Cabinet	30.05.17	-1,630,002
Manor Park Chain Link Fence Replacement	Cabinet	30.05.17	-23,000
		Total Approved Budget	-4,938,002

Appendix B

<u>PRUDENTIAL INDICATORS</u>	2017/18	2017/18
	As approved at Full Council 27 July 2017	Prudential Indicators in reference to Capital Monitoring Q2 2017/18
	£m	£m
Capital Expenditure	30.945	36.988
	£m	£m
Financing of Capital Expenditure		
Capital Receipts	4.600	4.800
Capital Grants and contributions	3.285	4.938
Revenue	-	-
Borrowing	23.060	27.250
Total capital financing	30.945	36.988
	£m	£m
Capital financing requirement as at 31 March	29.6	33.8
	£m	£m
Gross debt and the capital financing requirement		
Capital Financing Requirement (measured in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years)	65.5	69.7
Total gross debt	37.0	40.0
Difference	28.5	29.7
	£m	£m
Operational boundary for external debt		
Borrowing	47.0	47.0
	£m	£m
Authorised limit for external debt		
Borrowing	49.0	49.0
Other long-term liabilities	1.0	1.0
Total	50.0	50.0
	%	%
Ratio of financing costs to net revenue stream	-6	-6
	£	£
Incremental impact of capital investment decisions on the Council Tax		
General Fund - effect (£ p) on annual band D Council Tax	(6.75)	(6.75)