

**CAPITAL PROGRAMME MONITORING
POSITION AS AT MARCH 2018**

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 February 2018.

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 February and March.

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 The Council approved the revised Capital Programme £32,398,000 on 22 February 2018.
- 3.2 Based on February March 2018 monitoring exercise 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	32,398
Additional budget approvals made for the year 2017/18	0
Total approved budget for 2017/18	32,398
Forecast capital expenditure for the year	13,517
Net favourable variance (against the approved budget)	(18,881)
<i>Element of the above variance that will be slipped into 2018/19</i>	<i>18820</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 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 Full Council approved the Revised Estimate for 2017/18 on 22nd February for the financial year 2017/18.
- 3.5 At the time of compiling this report, the new Depot site is continuing development. The scale of the project is vast, identifying various unforeseen issues and there continues to be a risk of overspend against budget. A report was taken to Cabinet on 6th March 2018 to seek a variation to the 2018/19 Capital Programme. The additional budget requested was £210,000 to cover the estimated overspend assessed by the Quantity Surveyor at the time and an additional £100,000 for contingency.
- 3.6 The Capital Programme is a significant undertaking for the Council in terms of magnitude and complexity. The scale of slippage and variation in programme highlights the need for close monitoring and clear project management across the whole Council. Delivery of the existing approved Capital Programme must be the clear focus
- 3.7 The significant over/(under) spend variations to date are as follows:

Scheme	Explanation	Over / (Under) Spend £000s
COUNCIL OFFICES Accommodation and Upgrade Changes	Whilst an underspend is anticipated on accommodation and upgrade changes, an overspend is anticipated on the co-location project which is closely linked.	(10)

COUNCIL OFFICES Co-Location	An overspend is anticipated on this project due to the extensive consultancy advice required. An underspend is anticipated on accommodation and upgrade changes which is closely linked to this project.	10
COUNCIL OFFICES Lower Roof Maintenance	No works have been undertaken as the lower roof has survived well during this year's weather and is not deemed a priority project. The budget can therefore be released.	(24)
ACTIVATION ALDERSHOT Town Centre Improvements	An overspend is forecast as there have been unforeseen costs due to structural issues with various buildings. The overspend would have been more considerable, however some costs were mitigated through redesigns of some of the other shop fronts.	20
IMPROVEMENT GRANTS Housing Renewal Grants	Housing Renewal Grants are discretionary and therefore are not always paid out in full.	(15)
IMPROVEMENT GRANTS Home Loan Scheme	A loan was in the pipeline to be paid out but has since fallen through. Home Loans are discretionary and therefore are not always paid out in full.	(10)
SOUTHWOOD COMMUNITY CENTRE Internal Decoration	There has been a reluctance to carry out works on this property as it is not Council owned. A budget exists in 2018/19 which is sufficient to cover works planned for 2017/18 as well. The budget for 2017/18 can therefore be released.	(10)
PRINCES HALL Coating to Roof	No works have been undertaken as patches which have previously been done are holding well and therefore it is not deemed priority to do more extensive works at this time. The budget can therefore be released.	(15)
MANOR PARK Depot New Paving and Tarmac	Only essential work has been undertaken and therefore much less cost has been incurred than originally planned. Costs incurred of £9k are to be transferred to revenue as the Capital de minimus threshold of £10k has not been reached.	(19)
ICT/DIGITAL STRATEGY Various Projects	A summary of the main variances is as follows: <ul style="list-style-type: none"> - E-forms migration has been more complicated than envisaged and in addition, other 	13

	<p>worthwhile enhancements have been carried out which were not planned</p> <ul style="list-style-type: none"> - Significant issues with the supplier of the Finance system upgrade - Consultancy; Hardware; and Software related to ICT Infrastructure improvements being more costly than anticipated 	
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3.8 The schemes detailed below represent an overspend in 2017/18 but not an overspend of the projects overall, as the amounts will be recognised as a partial pre-spend of the 2018/19 budget:

Scheme	Explanation	Partial Pre-Spend £000s
CORPORATE PROPERTIES 36-62 Union Street, Aldershot	Expenditure has been required to bring properties purchased in Union Street back into use.	15

3.9 The major areas of slippage identified to date which are included within the (Appendix A) net reduction in spend of £18,881,000 against the approved Capital Programme are provided in the table that follows:

Scheme	Explanation	Slippage to 2018/19 £000s
CORPORATE PROPERTIES 12 Arthur Street – Future Use	The conversion of this property into flats is due to be completed in May 2018. This project is utilising skilled up workers and therefore the work schedule has had to be extended. However, by utilising this workforce, an underspend of £97k is anticipated.	(107)
CORPORATE PROPERTIES Boulton's House, 237 High Street – Redevelopment Costs	This project has been delayed due to resources being directed to work on other Corporate Properties.	(31)

<p>ACTIVATION ALDERSHOT Project 2 Phase 6 Aldershot Station</p>	<p>This project has been delayed due to a change in franchise operator on the South West trains service. It was a requirement of the LEP funding that the LEP monies of £900k had to be spent in 2017/18. However, the LEP have agreed to allow this money to be spent in 2018/19 instead.</p>	<p>(900)</p>
<p>CEMETERIES Redan Road Repairs to Boundary Wall</p>	<p>An order for the works to be carried out was only raised in February 2018 and the works need to be completed in fair weather. The majority of the work is therefore expected to take place during 2018/19.</p>	<p>(27)</p>
<p>IMPROVEMENT GRANTS Disabled Facility Grants</p>	<p>Revised budget set at £1,102K including additional £99K of Disabled facility grant. At budget monitoring £792K has been paid out in 2017/18 with a further £316K committed in 2017/18. Private sector housing manager forecast that of the £316K committed spend 50% (£158K) to be paid by the year-end. On this basis outturn of £950K recognised with slippage of £147K.</p>	<p>(147)</p>
<p>BEAUMONT PARK Beaumont Guards Room Repairs to Stone Work</p>	<p>This project is not in motion yet and therefore a budget slippage is required.</p>	<p>(19)</p>
<p>CAR PARKS Pay and Display Machine Replacement</p>	<p>There are ongoing issues with the pay and display machine and back office functionality and rectification of these faults will not take place until 2018/19.</p>	<p>(15)</p>
<p>ALDERSHOT POOLS COMPLEX Roof Insulation and Coating over Pools</p>	<p>The tender process was not carried out until after September 2017 and the main order not placed until February 2018. The main works cannot take place until the weather improves and therefore the majority of the budget needs to slip to 2018/19.</p>	<p>(68)</p>
<p>DEPOTS Lysons Avenue Depot</p>	<p>This is a large project spanning financial years – estimated completion date is July/August 2018</p>	<p>(564)</p>
<p>CYCLEWAY LINKS Hazel Avenue to Arrow Road</p>	<p>Little progress has been made on this project due to the need to focus resources on Corporate Properties' projects.</p>	<p>(15)</p>

CAR PARKS Enhancement Contract Costs	The monies were set aside to do works to the High Street MSCP, Aldershot and Pinehurst Car Park, Farnborough. However, the projects have been postponed while the wider regeneration is considered.	(120)
CORPORATE PROPERTIES Drawdown Fund for the Purchase of Investment Properties	Properties have been identified to utilise this budget but are unlikely to complete during 2017/18.	(14,993)
ICT/DIGITAL STRATEGY Revenues Citizen Account	Elements of the project are still to be completed in 2017/18 but the remainder of the project is to slip to 2018/19 due to an unforeseen staff absence.	(14)
FLEXIBLE USE OF CAPITAL RECEIPTS Various Projects	Profile of spend is forecast to be less in year 2 than anticipated. A full breakdown on the Flexible Use of Capital Receipts is provided separately.	(15)
CORPORATE PROPERTIES Commercial Property Acquisition (Exempt Item)	The purchase of a commercial property has been delayed due to circumstances beyond the Council's control but it looks likely the sale will complete in early 2018/19.	(1,773)

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

Scheme	Explanation	Grant funding £000s
ACTIVATION ALDERSHOT Project 2 Phase 6 Aldershot Station	This project has been delayed due to a change in franchise operator on the South West trains service. It was a requirement of the LEP funding that the LEP monies of £900k had to be spent in 2017/18. However, the LEP have agreed to allow this money to be spent in 2018/19 instead.	900
IMPROVEMENT GRANTS Disabled Facility Grants	Revised budget set at £1,102K including additional £99K of Disabled facility grant. At budget monitoring £792K has been paid out in 2017/18 with a further £316K committed in 2017/18. Private sector housing manager forecast that of the £316K committed spend 50% (£158K) to be paid by the year-end. On this basis outturn of £950K recognised with slippage of £147K.	147

<p>CAR PARKS Enhancement Contract Costs</p>	<p>CPE monies were set aside to do works to the High Street MSCP, Aldershot and Pinehurst Car Park, Farnborough. However, the projects have been postponed while the wider regeneration is considered.</p>	<p>120</p>
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.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 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 on 22nd February 2018 is given at Appendix B to this report. Members are requested to note the updated indicators..
- 4.3 The Council's 2017/18 Capital Programme is currently forecast to spend £13.517m, £18.881m below the revised approved budget of £32.398m, largely due to the significant slippage of £18.820m into 2018/19. The majority of slippage (£16.766m) relates to 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 and regeneration.

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CAPITAL PROGRAMME MONITORING SUMMARY 2017/18

Expenditure	REVISED BUDGET 2017/18	ADDITIONAL BUDGET APPROVALS 2017/18	TOTAL APPROVED BUDGET 2017/18	ACTUAL AS AT 05.02.2018	COMMITMENTS AS AT 05.02.2018	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
CORPORATE SERVICES	24,329.00	0	24,329	6,642	89	6,731	(17,598)	7,400	(16,929)	16,933
LEISURE & YOUTH	541.00	0	541	295	87	382	(159)	385	(154)	97
ENVIRONMENT & SERVICE DELIVERY	6,075.00	0	6,075	2,225	1,034	3,259	(2,816)	4,480	(1,596)	1,616
BUSINESS, SAFETY & REGULATION	202.00	0	202	67	60	127	(75)	172	(30)	27
HEALTH & HOUSING	1,251.00	0	1,251	823	0	822	(429)	1,080	(172)	147
TOTAL	32,398.00	0	32,398	10,052	1,270	11,321	(21,077)	13,517	(18,881)	18,820

Variations to Programme Approved 2017/18

Approved By	Date	£
Full Council	22.02.18	32,398,380
Total Approved Budget		32,398,380

Revised Budget 2017/18 - Various Projects

S106 and Grants & Contributions	REVISED BUDGET 2017/18	ADDITIONAL BUDGET APPROVALS 2017/18	TOTAL APPROVED BUDGET 2017/18	FORECAST S106 AND GRANTS & CONT'S AS AT 05.02.2018	VARIANCE
PORTFOLIO	£'000	£'000	£'000	£'000	£'000
CORPORATE SERVICES	(16)	0	(16)	(19)	(3)
LEISURE & YOUTH	(172)	0	(172)	(171)	1
ENVIRONMENT & SERVICE DELIVERY	(1,164)	0	(1,164)	(144)	1,020
BUSINESS, SAFETY & REGULATION	0	0	0	0	0
HEALTH & HOUSING	(1,097)	0	(1,097)	(951)	146
TOTAL	(2,449)	0	(2,449)	(1,285)	1,164

Variations to Programme Approved 2017/18

Approved By	Date	£
Full Council	22.02.18	-2,448,960
Total Approved Budget		-2,448,960

Revised Budget 2017/18 - Various Projects

Appendix B

<u>PRUDENTIAL INDICATORS</u>	2017/18	2017/18
	As approved at Full Council 22 February 2018	Prudential Indicators in reference to Capital Monitoring Q4 2017/18
	£m	£m
Capital Expenditure	32.398	13.508
	£m	£m
Financing of Capital Expenditure		
Capital Receipts	5.322	5.322
Capital Grants and contributions	2.189	2.189
Revenue	0.261	0.261
Borrowing	24.626	5.736
Total capital financing	32.398	13.508
	£m	£m
Capital financing requirement as at 31 March	34.3	15.4
	£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)	89.5	89.5
Total gross debt	38.7	19.8
Difference	50.8	69.7
	£m	£m
Operational boundary for external debt		
Borrowing	40.0	40.0
	£m	£m
Authorised limit for external debt		
Borrowing	44.0	44.0
Other long-term liabilities	1.0	1.0
Total	45.0	45.0
	%	%
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)