

**CAPITAL PROGRAMME MONITORING AND FORECASTING
- POSITION AS AT SEPTEMBER 2019**

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report informs Members of the latest forecast of the Council's Capital Programme for 2019/20 based on the monitoring exercise carried out during September 2019.

RECOMMENDATION:

Members are requested to:

- i) Note the latest Capital Programme position, as set out in Tables 1 and 2.
- ii) Approve the additional capital requests during 2019/20, as set out in paragraph 3.7

1 INTRODUCTION

- 1.1 This report informs Members of the latest forecast regarding the Council's Capital Programme for the first two quarters of 2019/20, based on the monitoring exercise carried out during September.
- 3.1 There are some projects of major financial significance included in the Council's approved Capital Programme for 2019/20. These projects are:
 - (a) Aldershot Town Centre Integration and Union Street
 - (b) Civic Quarter development
 - (c) finalisation of a loan to Farnborough International, and,
 - (d) further acquisition of investment properties.

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**.

2 CURRENT POSITION

- 3.2 The Council approved the Capital Programme of £70.231m on 21 February 2019 with the latest budget for the Capital Programme being £72.284m, an increase of £2.053m largely due to slippage from 2018/19. Table 1 shows the reconciliation of budget changes together with the projected actual capital expenditure for the year 2019/20.

Table 1: Analysis of capital expenditure and approved budget 2019/20 £000's

Total approved budget for the year 2019/20	70,231
Less: Additional budget approvals made for the year 2019/20 *	(31,359)
Add: Slippage form 2018/19 **	34,012
Total approved budget for 2019/20	72,884
Actual plus commitments as at Quarter 2	32,191
Forecast capital expenditure for the year	62,495
Net favourable variance (against approved budget)	(10,389)
Projected Slippage/(Pre-spend) to 2020/21 ***	9,954

* Cabinet Reports RP1902 (08/01/2019), RP1903 (05/02/2019) and RP1904 (05/03/2019) included cabinet decisions that brought forward capital budget from 2019/20 to 2018/19. Net total includes additional in-year budget changes

** As reported to Cabinet in the General Fund Provisional Outturn report FIN1920 (28/05/2019)

*** Projected slippage based on the forecast at Q2.

- 3.3 Table 2 shows the outturn forecast for each scheme with a 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 Estimate for 2019/20 on 21 February 2019.
- 3.4 The Capital Programme is a significant undertaking for the Council in terms of magnitude and complexity. The scale of the projected slippage into 2019/20 and variation in programme highlights the need for close monitoring and clear project management across the whole Council.
- 3.5 During the year to date actual expenditure including commitments is £32.2m. £30.3m is due to be spent by the year-end, predominantly as part of programmed regeneration and investment property purchases. Given the nature of the capital projects, there is a degree of risk in the outturn forecast given the level of expenditure required in Q3 and Q4 to match the outturn forecast.
- 3.6 Additional approvals of **-£31.4m** since budget approval relates to funds being drawn forward into 2018/19 to facilitate regeneration and investment property purchases. The timing of any property purchase can be fluid and any movement in the capital programme is reported for approval.
- 3.7 The following are additional approvals requested to facilitate capital projects within 2019/20:

Council Offices – Replacement Boiler

As highlighted in the General Fund Outturn report in May 2019, there is a need to replace one of the boilers in the Council Offices which has reached the end of its economic life. Funding of £20k was set aside in the Service Improvement Fund. Therefore, formal approval is needed to amend the Capital Programme by £20k to cover the cost of the replacement boiler.

Frimley 4 Business Park

Urgent works which need to be carried out in 2019/20 related to Unit 4.3 and Unit 4.4. A budget of £72k is requested for approval to enable the capital works. Completion of these works will help ensure the Council can fulfil its obligations as landlord and continue to realise the income stream.

Voyager House

Members will be aware that the Council acquired the Voyager House site in March 2019 through a negotiated process without the Council needing to use CPO powers.

Cabinet Report Nos. LEG1808 (21/08/2018), LEG1718 and LEG1719 (14/11/2017) set out the policy reasons for acquisition and the likely financial return to the Council.

- Council acquires freehold of the building and pay either the whole of part of the fit-out costs, which were subsequently capped at £1.5m
- CCG lease provides a 5% return on the total acquisition costs and any fit-out costs that the Council pays.

Following the acquisition of the property earlier in 2019, it has been agreed with the North East Hampshire and Farnham Clinical Commissioning Group (CCG) will fund all fit-out costs over and above those set out in the November 2017 reports.

Given the additional costs incurred in acquiring the property, the Council has agreement with the CCG that the total financial commitment is capped at £5.584m (acquisition cost of £4.498m plus up to £1.086m of fit-out costs). In order to ensure there is adequate headroom in the capital expenditure budget, members are asked to approve the gross expenditure budget allocation for Voyager House of £6.4m, which is included the Investment Properties capital budget. This provides authorisation for fit-out works to commence, subject to satisfactory tenders being received.

Based on the agreed current rental income and maximum acquisition plus fit-out costs, the Council will realise a financial return in the range of 4% to 5% depending on the interest rate on external borrowing.

3.8 Appendix B sets out the details in relation to:

1. The significant over/(under) spend variations to date;
2. The major areas of slippage;
3. Material variances in relation to schemes financed by grants/contributions.

Table 2: Capital Programme Outturn Forecast

	2019/20 Original Budget (£'000)	2019/20 Latest Budget (£'000)	Outturn Forecast (£'000)	Forecast Variance (£'000)
Portfolio/Scheme				
Major Projects and Property				
Aldershot Town Centre Projects	5,652	7,270	2,877	(4,393)
Civic Quarter Farnborough	10,000	9,985	5,460	(4,525)
Housing Matters	661	741	730	(11)
Investment Properties	43,593	43,455	43,227	(228)
Union Street Aldershot	5,150	5,842	5,313	(529)
Other	0	20	31	11
Subtotal MP&P	65,056	67,313	57,637	(9,676)
Corporate and Democratic Services				
Farnborough Airport	1,100	1,100	1,100	0
Flexible Capital Receipts	124	187	159	(29)
Subtotal C&DS	1,224	1,287	1,259	(29)
Customer Experience and Improvement				
Computer Systems	251	282	251	(31)
Council Offices	70	70	94	24
Subtotal CE&I	321	352	344	(8)
Operational Services				
Aldershot Pools Complex	40	40	40	0
Alpine Snowsports	84	83	75	(8)
Beaumont Community Park	19	19	16	(3)
Car Parks	250	281	267	(14)
Cemeteries	10	21	21	0
Crematorium	15	40	40	0
Cycleway Links	0	23	23	0
Depots	45	76	76	0
Farnborough Leisure Centre	30	30	30	0
Ivy Road Playing Fields	610	610	0	(610)
Manor Park	50	49	0	(49)
Moor Road Development	530	470	470	0
Parks and Open Spaces	522	562	567	5
Playground Works	150	104	0	(104)
Refuse/Recycling	90	83	83	0
Southwood Community Centre	20	20	20	0
Street Cleansing	12	14	14	0
Improvement Grants	1,033	1,186	1,264	78
Subtotal OS	3,510	3,711	3,006	(705)
Planning and Economy				
Affordable Homes Grant	0	100	100	0
Princes Hall	120	120	120	0
Subtotal P&E	120	220	220	0
TOTAL Capital Programme	70,231	72,884	62,467	(10,417)

4 Revenue effect of Capital Programme

- 4.1 Movement in the capital programme between years will have an effect on interest costs and MRP cost in the year in which budget was allocated.

5 CONCLUSIONS

- 5.1 The Council's 2019/20 Capital Programme is currently forecast to spend £62.495m, £10.4m below the approved budget of £72.9m. The variance and increase in approved budget since approval at Council on 21 February is due to timing differences in property purchases either side of the financial years. Acquisition of property is fluid in nature and future movements resulting from timing of purchases will be regularly reported to members.

CONTACT DETAILS:

Report Author: Alan Gregory Alan.Gregory@Rushmoor.gov.uk 01252 398441

Executive Head of Service: David Stanley David.Stanley@Rushmoor.gov.uk
01252 398440

CAPITAL PROGRAMME MONITORING SUMMARY 2019/20

Expenditure	SLIPPAGE FROM 2018/19	ORIGINAL BUDGET 2019/20	ADDITIONAL BUDGET APPROVALS 2019/20	TOTAL APPROVED BUDGET 2019/20	ACTUAL AS AT 18.09.2019	COMMITMENTS AS AT 18.09.2019	ACTUALS PLUS COMMITMENTS	VARIANCE	FORECAST SPEND 2019/20	FORECAST SPEND LESS APPROVED BUDGET	SLIPPAGE TO 2020/21
PORTFOLIO	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
MAJOR PROJECTS AND PROPERTY	33,559	65,056	(31,302)	67,313	29,950	13	29,963	(37,350)	57,638	(9,675)	9,759
CORPORATE AND DEMOCRATIC SERVICES	64	1,224	0	1,288	1,128	0	1,128	(160)	1,287	(1)	0
CUSTOMER EXPERIENCE AND IMPROVEMENT	10	321	21	352	85	57	142	(210)	344	(8)	42
OPERATIONAL SERVICES	279	3,510	(78)	3,711	489	267	756	(2,955)	3,006	(705)	153
PLANNING AND ECONOMY	100	120	0	220	100	102	202	(18)	220	0	0
TOTAL	34,012	70,231	(31,359)	72,884	31,752	439	32,191	(40,693)	62,495	(10,389)	9,954

Variations to Programme Approved 2019/20

	Approved By	Date	£
Original Budget 2019/20 - Various Projects	Full Council	21.02.19	70,230,640
Purchase of Commercial Property advance to 2018/19	Cabinet	05.02.19	Exempt Item
Southwood Golf Course SANG Wetland	Cabinet	05.03.19	40,000
Purchase of Commercial Property advance to 2018/19	Cabinet	05.03.19	Exempt Item
Civic Quarter Farnborough advance to 2018/19	Cabinet	05.03.19	Exempt Item
Slippage from 2018/19 - Various Projects	Cabinet	28.05.19	34,049,040
Prespending of 2019/20 - Various Projects	Cabinet	28.05.19	-36,640
Commercial Property Enhancement	Cabinet	28.05.19	Exempt Item
The Games Hub	Cabinet	20.08.19	100,000
Office 365	Cabinet	20.08.19	21,000
Cove Green Playground	Cabinet	20.08.19	-46,000
Voyager House	Cabinet	20.08.19	499,580
Moor Road Recreation Ground Development	Cabinet	20.08.19	-72,330

Total Approved Budget 72,883,760

PORTFOLIO	SLIPPAGE FROM 2018/19	ORIGINAL BUDGET 2019/20	ADDITIONAL BUDGET APPROVALS 2019/20	TOTAL APPROVED BUDGET 2019/20	FORECAST S106 AND GRANTS & CONT'S AS AT 18.09.2019	VARIANCE
	£'000	£'000	£'000	£'000	£'000	£'000
MAJOR PROJECTS AND PROPERTY	(1,490)	(8,702)	(167)	(10,359)	(7,514)	2,845
CORPORATE AND DEMOCRATIC SERVICES	0	0	0	0	0	0
CUSTOMER EXPERIENCE AND IMPROVEMENT	0	0	0	0	(20)	(20)
OPERATIONAL SERVICES	(184)	(2,570)	98	(2,656)	(1,987)	669
PLANNING AND ECONOMY	(100)	0	0	(100)	(100)	0
TOTAL	(1,774)	(11,272)	(69)	(13,115)	(9,621)	3,494

Variations to Programme Approved 2019/20

	Approved By	Date	£
Original Budget 2019/20 - Various Projects	Full Council	21.02.19	-11,271,670
Southwood Golf Course SANG Wetland	Cabinet	05.03.19	-20,000
Slippage from 2018/19 - Various Projects	Cabinet	28.05.19	-1,792,200
Prespending of 2019/20 - Various Projects	Cabinet	28.05.19	17,690
Commercial Property Enhancement	Cabinet	28.05.19	Exempt Item
The Games Hub	Cabinet	20.08.19	-100,000
Cove Green Playground	Cabinet	20.08.19	46,000
Moor Road Recreation Ground Development	Cabinet	20.08.19	72,330

Total Approved Budget -13,114,850

APPENDIX B

Over/Underspend, slippage and material variances in relation to schemes financed by grants/contributions.

1 The significant over/(under) spend variations to date are as follows:

Scheme	Explanation	Over / (Under) Spend £000s
MAJOR PROJECTS AND PROPERTY		
INVESTMENT PROPERTIES Unspecified Commercial Property Acquisitions	No established projects in the pipeline, but the intention is to make further acquisition(s) by the end of the financial year. The budget is being replenished with £464k due to an underspend on the estimated acquisition costs at Frimley4 but this is offset by a drawdown of £1.443m in respect of a forecast gross expenditure on Voyager House.	(979)
INVESTMENT PROPERTIES Frimley 4 Business Park Purchase	All costs of purchasing Frimley 4 Business Park have been met. Therefore, brings the acquisition costs to a close and the underspend can be transferred to the unspecified property acquisitions code.	(464)
INVESTMENT PROPERTIES Frimley 4 Business Park Works	Urgent works required at Frimley 4 Business Park. The works which need to be carried out in 2019/20 related to unit 4.3 and unit 4.4.	72
INVESTMENT PROPERTIES Voyager House	Estimated gross cost of purchase and fit-out of Voyager House potentially up to £6.4m.	1,443 [CCG funded]
CUSTOMER EXPERIENCE AND IMPROVEMENT		
COMPUTER SYSTEMS IWorld	An IWorld Server upgrade is required which had not been planned for 2019/20. This can be fully funded by the budget which was set aside for an HR Online Learning Platform as this is now proceeding through Revenue as per a CLT report taken in July.	11
COUNCIL OFFICES Co-location – Relocation of Voluntary Groups	Provisional outturn 2018/19 reported a £19k overspend on this project, with no budget slippage to 2019/20 and a further £10k overspend needs to be declared for expenditure in 2019/20 giving the overall overspend over the two financial years of £29k. There is no further expenditure to be incurred and the project is now complete.	10

COUNCIL OFFICES Accommodation and upgrades and Co Location project	£3.5k anticipated overspend attributable to the need to close the Farnborough Community Centre and relocating RVS and Parking Services. £20K of overspend relates to the cost of a new boiler. This element of the overspend is to be funded from SIF.	24
OPERATIONAL SERVICES		
ALPINE SNOWSPORTS Slope Maintenance	Project substantially complete with a 5% retention still needing to be paid over. The remaining balance on the capital code is declared as an underspend.	(14)
IMPROVEMENT GRANTS Disabled facility grant (Mandatory)	At the time the original budget was set the better care fund for 2019/20 was unknown. Forecast overspend is to align with actual better care fund to be received.	78
CAR PARKS Aldershot Car Park – Installation of LED lighting	Underspend due to project costs being lower than anticipated. Expenditure likely to be spent by December 2019.	(12)
DEPOTS Creation of depot at Southwood	Project is to be completed by the end of 2019. There is some unforeseen spend on shutters to be installed on windows and doors which are required to satisfy insurers at a cost of £8k. This is the primary reason for the forecast overspend.	11
PARKS AND OPEN SPACES Ivy Road Sports Pavilion	Capital budget is not required in 2019/20 – members will need to make a decision on future scope of programme. [net effect is nil as the project was to be fully funded from grants and contributions]	(610)

- 2 The major areas of slippage/(Pre-spend) identified to date which are included within the (Appendix A) net slippage of £9,954,275 against the approved Capital Programme are provided in the table that follows:

Scheme	Explanation	Slippage / (Pre-spend) to 2019/20 £000s
MAJOR PROJECTS AND PROPERTY		
PREDEVELOPMENT WORKS 36-62 Union Street	Budget slippage for further predevelopment works to take place in 2020/21.	337

INVESTMENT PROPERTIES Redevelopment of Optrex business Park	Project is delayed due to resource constraints. Full budget slipped into 2020/21.	300
REGENERATION Civic Quarter	When the budget was originally set, there was uncertainty over the costs involved or how to deliver the scheme and therefore the project continues to evolve with each element subject to further scrutiny and approval by Cabinet.	4,525
REGENERATION Housing PRS Delivery	Housing Company estimated to be in place by January 2020. Limited budget underspend is slipped into 2020/21.	11
REGENERATION Union Street East	When the budget was originally set, there was uncertainty over the costs involved or how to deliver the scheme and therefore the project continues to evolve with each element subject to further scrutiny and approval by Cabinet.	4,056
REGENERATION The Games Hub	There have been unforeseen delays to the project resulting in the main delivery of the project now expected in 2020/21.	529
CUSTOMER EXPERIENCE AND IMPROVEMENT		
COMPUTER SYSTEMS IT Equipment Replacement Programme	Project slipped in 2020/21 as progress on buying new hardware cannot occur until Windows 10 project is complete.	22
COMPUTER SYSTEMS ICT Strategy and Customer First Projects	Slippage of £10k into 2020/21 relates to PCI compliance costs.	10
COUNCIL OFFICES Electrical Generator Switch	Budget slipped to 2020/21 due to uncertainty over future of the project. Potentially replaced with a guaranteed generator. If the new bid is successful, the budget slipped will no-longer be required	10
OPERATIONAL SERVICES		
MANOR PARK Lake Improvements	Significant S106 contributions have not been forthcoming and are not due to come forward until next finance year, therefore project on hold and slipped into 2020/21.	49
PLAYGROUNDS Blunden Road Recreation Ground	Insufficient staff resource time to progress the project in 2019/20 due to other major schemes taking place such as Moor Road recreation ground development.	104

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

Scheme	Explanation	Grant funding £000s
IMPROVEMENT GRANTS Disabled facility grant (Mandatory)	At the time the original budget was set the better care fund for 2019/20 was unknown. Forecast over achievement of grant is to align with actual better care fund to be received.	(78)
COUNCIL OFFICES Accommodation and upgrades	Spend on the Council Offices boiler replacement. Boiler replacement completed in September and is to be funded from the Service Improvement Fund.	(20)
REGENERATION Union Street East, Aldershot	Forecast grants and contributions set in line with forecast expenditure for 2019/20, remainder to slip to 2020/21.	2,316
REGENERATION The Games Hub	LEP funding agreement has been signed. Legal agreements with Rock and Pop Foundation are delayed due to State Aid issues. Agreements cannot be completed until R&PF's bank has approved state aid clawback arrangements. This will result in a delay to the project with completion and opening now not expected until May 2020. Budget slipped into 2020/21.	529
REFUSE/RECYLCING Wheeled Bins	Most of this budget is already committed, rest will be used in Quarter 4. Forecast grants and contributions have been set in line with actual amount invoiced year to date.	(21)
MANOR PARK Lake Improvements	Significant S106 contributions have not been forthcoming, and are not due to come forward until next finance year, therefore project on hold and slipped into 2020/21	49
PARKS AND OPEN SPACES Ivy Road Sports Pavilion	Capital budget is not required in 2019/20 – members will need to make a decision on future scope of programme. [net effect is nil as the project was to be fully funded from grants and contributions]	610
PLAYGROUNDS Blunden Road Recreation Ground	Full budget slipped to 2020/21 as project unlikely to achieve in 2019/20	104
CAR PARKS Aldershot Car Park – Installation of LED lighting	Underspend due to project costs being lower than anticipated. Expenditure likely to be spent by December 2019.	12