

CAPITAL PROGRAMME MONITORING AND FORECASTING REPORT Q1 2020/21

SUMMARY AND RECOMMENDATIONS:

SUMMARY:

This report informs Members of the latest forecast of the Council's Capital Programme for 2020/21 based on the monitoring exercise carried out during June 2020.

RECOMMENDATION:

Members are requested to:

- i) Note the latest Capital Programme position, as set out in Tables 1 and 2.
- ii) Approve contributions from CCG of £460k to support the conversion of Voyager House
- iii) Approve the withdrawal of £20k budget for the Aldershot Park Angling Club Improvement project

1 INTRODUCTION

- 1.1 This report informs Members of the latest forecast regarding the Council's Capital Programme for 2020/21, based on the monitoring exercise carried out during June.
- 1.2 There are some projects of major financial significance included in the Council's approved Capital Programme for 2020/21. These projects are:
 - (a) Aldershot Town Centre Integration and Union Street
 - (b) Civic Quarter development
 - (c) replacement cremators
 - (d) Voyager House conversion
 - (e) Housing PRS, and,
 - (f) 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**.

3 CURRENT POSITION

- 3.1 The Council approved the Capital Programme of £52.226m on 20 February 2020. Based on June 2020 monitoring exercise Table 1 shows the reconciliation of budget changes together with the projected actual capital expenditure for the year 2020/21.

Table 1: Analysis of capital expenditure and approved budget 2020/21

	(£'000)
Total approved budget for the year 2020/21*	52,226
Plus: Additional budget approvals made for the year 2020/21 **	(95)
Slippage from 2019/20	4188
Total approved budget for 2020/21	56,319
Actual plus commitments as at Quarter 1	2,497
Forecast capital expenditure for the year	34,955
Net favourable variance (against approved budget)	(21,363)
Projected Slippage/(Pre-spend) to 2021/22 ***	21,817

* As reported to Cabinet in the Revenue Budget, Capital Programme and Council Tax report FIN2007 (04/02/2020)

** Cabinet Reports OS1915 (16/12/2019), RP1903 (05/02/2019) and RP2001 (07/01/2020)

*** Projected slippage based on the forecast at Q1.

- 3.2 Table 2 shows the outturn forecast for each scheme with 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 2020/21 on 20 February 2020.
- 3.3 The Capital Programme is a significant undertaking for the Council in terms of magnitude and complexity. The scale of the projected slippage into 2020/21 and variation in programme highlights the need for close monitoring and clear project management across the whole Council.
- 3.4 During the year to date actual expenditure including commitments is £2.5m. £35.0m is due to be spent by the year-end, predominantly as part of programmed regeneration and investment property purchases.
- 3.5 Since budget approval £95k of the 2020/21 Civic Quarter was brought forward into 2019/20 related to feasibility and design work for the leisure centre and demolition and other pre-development work associated with Elles Hall.

3.6 **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.

3.7 The Voyager House conversion project to facilitate the creation of a health centre in Farnborough is forecast to incur £460k of additional expenditure over and above the Council's agreed commitment in 2020/21. The increase is the result of contract price increases. The Council has a financial limit to its project cost in place and an agreement with the partner Clinical Commissioning Group (CCG) for funding to cover expenditure above the financial limit. This report requests approval for £460k of funding from the CCG to be received to support the ongoing project.

3.8 Aldershot Park Angling Club Improvement project is no longer taking place due. Therefore, the capital budget of £20k allocated to the scheme is no longer required.

Table 2: Capital Programme Outturn Forecast

Portfolio/scheme	2020/21 Budget (£'000)	2020/21 Additional items (£'000)	Slippage from 2019/20 (£'000)	2020/21 Total Approved Budget (£'000)	Outturn Forecast (£'000)	Forecast Variance (£'000)
Major Projects and Property						
Aldershot Town Centre Projects	2091		57	2149	2153	4
Civic Quarter Farnborough	14525	-95	28	14458	76	-14383
Housing Matters	2731		713	3444	1900	-1544
Commercial Property	22425		1898	24323	24784	460
Property Enhancements	202		72	274	254	-20
Union Street Aldershot	7393		415	7808	1950	-5858
Depots	-		-	-	3	3
Maintenance Team	-		-	-	7	7
Subtotal MP&P	49367	-95	3184	52456	31126	-21330
Corporate and Democratic						
Flexibel use of capital receipts	-		86	86	86	-
Subtotal C&DS	-	-	86	86	86	-
Customer Experience and Improvement						
Computer Systems	80		37	117	117	-
Council Offices	45		-	45	45	-
Subtotal CE&I	125	-	37	162	162	-
Operational Services						
Alpine Snowsports	-		-	-	-	-
Car Parks	-		-	-	-	-
Crematorium	1200		-	1200	1200	-
Depots	-		34	34	-	-34
Manor Park	49		-	49	49	-
Parks and Open Spaces	125		583	708	708	-
Playground Works	104		-	104	104	-
Refuse/Recycling	100		-	100	100	-
Southwood Community Centre	-		20	20	20	-
Improvement Grants	1111		101	1211	1211	-
Subtotal OS	2689	-	737	3426	3392	-34
Planning and Economy						
No capital budgets	-		-	-	-	-
Subtotal P&E	-	-	-	-	-	-
ICE Programme	45	-	144	189	189	-
TOTAL Capital Programme	52226	-95	4188	56319	34955	-21,364

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 2020/21 Capital Programme is currently forecast to spend £35.0m, £21.4m below the approved capital budget of £56.32m. The variance and increase in approved budget since approval at Council on 20 February 2020 is due to delays in capital projects being completed in the 2019/20 financial year.

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APPENDIX B

Over/Underspends, 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		
VOYAGER HOUSE	<p>The contract price of the project has increased with an overspend of at least £460k likely in the year 2021. The Council's commitment is capped at £1.5m including fees and VAT. An agreement on costs is in place for CCG to meet the overspend at present to cover the £460K overspend.</p> <p>Approval has been requested within the main report for the Council to receive funding from the CCG.</p>	460
PARKS AND OPEN SPACES Aldershot Park Angling Club Improvement	<p>Budget to be removed as works will not now be undertaken.</p> <p>Approval is requested in the main report to withdraw the budget for the project</p>	(20)
CORPORATE AND DEMOCRATIC SERVICES		
No variances		
CUSTOMER EXPERIENCE AND IMPROVEMENT		
No variances		
OPERATIONAL SERVICES		
No variances		
PLANNING AND ECONOMY		
No variances		
ICE PROGRAMME		
No variances		

- 2 The major areas of slippage/(Pre-spend) identified to date which are included within the (Appendix A) net slippage of £21,816,970 against the approved revised Capital Programme are provided in the table that follows:

Scheme	Explanation	Slippage /(Pre-spend) to 2019/20 £000s
MAJOR PROJECTS AND PROPERTY		
REGENERATION Civic Quarter	No expenditure expected during 2020/21 as project delayed	14,383
REGENERATION Housing PRS Delivery	Establishment of the Housing Company has been delayed and expenditure on the project expected to be delayed.	1,544
REGENERATION Union Street East	Spending aligned with anticipated demolition and site remediation costs	5,857
CUSTOMER EXPERIENCE AND IMPROVEMENT		
No budget slippage		
OPERATIONAL SERVICES		
DEPOTS Hawley Lane Development Works	Project delayed until 2021/22 due to ongoing dialogue with current occupier continues	34
CORPORATE AND DEMOCRATIC SERVICES		
No budget slippage		
PLANNING AND ECONOMY		
No budget slippage		
ICE PROGRAMME		
No budget slippage		

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

Scheme	Explanation	Grant funding £000s
MAJOR PROJECTS AND PROPERTY		
REGENERATION Union Street East	Spending aligned with anticipated demolition and site remediation costs with project slipping into 2021/22	3,800