

**CAPITAL PROGRAMME UPDATE 2016/17 TO 2020/21**

**Councillor N Blake**

**Leader of the Council and Cabinet Member for Major Projects**

**1 Purpose**

- 1.1 This report gives an update on the capital programme for the current year and sets out an updated programme for 2017/18 onwards. The Cabinet's comments will be passed to the Finance and Services Scrutiny Committee for review as required under policy framework requirements. After consideration of the review by scrutiny, Cabinet will be required to make formal proposals to Council.

**2 Recommendations**

The cabinet is recommended to:

- 2.1 Consider the updated capital programme for 2017/18 onwards as set out in Appendix A and if in agreement.
- 2.2 Request the Finance and Services Scrutiny Committee review and comment on the programme prior to Cabinet making its final recommendations to Council.

**3 Background**

- 3.1 The Council maintains an integrated strategic capital programme which is divided into three sections.
- Major Projects – These being the largest and highest profile.
  - Housing Schemes – Being the housing enabling and housing grant based schemes.
  - Other Projects – Being all the other schemes included within the capital programme.
- 3.2 The programme is reviewed annually with the current programme being last approved and adopted at Council in November 2015.
- 3.3 Since then, the programme has been altered and amended on several occasions in response to organisational pressures.
- 3.4 This report provides an updated position with respect to forecast receipts and the position with regards to current and future major investment projects. It also incorporates changes made since November 2015 and reflects these in the overall resources projections.

**4 Capital Resources Update**

- 4.1 The UK economy is still settling down after the decision to leave the European Union and will continued to do so. Whilst, the pound has fallen, there has been a boost to exports and with the recent cut in interest rates to a record low of 0.25%, the housing market is still taking time to react, which means the demand for land and its value may decrease.

- 4.2 The price of houses fell in July and August 2016, which meant that the annual growth has fallen to 6.9%, the lowest level for more than a year. This slowdown has had an affect on the anticipated income from Right to Buy sales, which is one of the Council's major sources of capital income, to the point that actual receipts could be down on the level received over the last couple of years.
- 4.3 The number of house sale completions over the last couple of years has dropped below the 40 mark which was being achieved prior to 2014/15. Last year, VAHT were anticipating house completions to be only 20 but the final figure for 2015/16 was 33, which boosted the level of receipts to £2,309,000. For 2016/17, the number of applications is running at the same levels as 2015/16 and so VAHT have upped their estimate for completions to 34, which will maintain the level of receipts AVDC can expect to receive.
- 4.4 During 2016/17 the final payments of the VAT shelter will be received, this will end the 10 year agreement that was put in place when the Council's housing stock was transferred to VAHT. Whilst the amounts received reduced over the years it was still a valuable source of capital resources.
- 4.5 These factors do have a bearing on the available resources for the capital programme. Any decrease in anticipated resources effectively reduces the level of resources available to fund new schemes and so increases the possibility of more borrowing and so this needs to be factored into the programme.
- 4.6 The changes in anticipated resources which need to be factored into the programme are as follows:
- a.) Share of house sale receipts from VAHT - these flow from the stock transfer agreement and run for 25 years from the transfer date. The number of sales has been forecast to be 34 for 2016/17, with the same number being forecast for 2017/18.
  - b.) Asset Sales - these are sums released from disposal of Council-owned assets mainly land or property.
  - c.) Lottery, Grants & Section 106 – This relates to external resources not related to asset sales.
  - d.) Revenue Contribution – Currently there are not expected to be any contributions from revenue to supplement existing capital resources other than a contribution from the New Homes Bonus pot.
- 4.7 The table below sets out the available resources at the beginning of 2016/17 and projected resources at the end of 2017/18 before any expenditure has been taken into account.

	<b>Current Resources April 2016 £'000s</b>	<b>Resources Projection March 2018 £'000s</b>
Current Resources	<b>8,587</b>	<b>11,556</b>
Share of Right to Buy Receipts	2,000	2,000
Asset Sales	823	910
VAT Shelter	20	0
Lottery, Grants and Section 106	126	3,000
Revenue Contributions (NHB)	0	5,000
<b>Total End of Year</b>	<b>11,556</b>	<b>22,466</b>

- 4.8 We are at the stage where the generation of sizeable capital receipts in the future will no longer be possible as our asset base has been reduced to small land holdings and our operational buildings i.e. offices, leisure facilities, public conveniences etc. This means that future commitment to projects can only be given on the understanding that the funding will have to be met from external sources either borrowing or third party contributions.

## **5 Capital Expenditure**

- 5.1 The capital programme is attached as Appendix A. As it is split into three sections, Major Projects, Housing Schemes and Other Projects, these are covered separately.

## **6 Major Projects**

- 6.1 The following are listed under the Major Projects section – Waterside Development, Pembroke Road depot, Silverstone Racing Circuit and the provision of a loan facility for a commercial property in Aylesbury.
- 6.2 The capital programme includes the latest forecast costs for the individual schemes and reflects the position reported to the Major Projects Sub Committee details of which are summarised in the following paragraphs.

### Waterside North and Public Realm North of Exchange Street

- 6.3 At its meeting on the 14<sup>th</sup> September 2016 Council received a report outlining the current position with this scheme.
- 6.4 This report outlined the six areas of preparatory work that would need to be commissioned to enable the scheme to progress. Work is now at the viability stage. There are a number of conditions that still need to be signed and the commercial outlet pre-lets need to be confirmed but it is hoped that work will start on site during early 2017.

- 6.5 The expenditure and funding for this scheme were built in to the Capital Programme during the annual review last year.

Depot - Pembroke Road

- 6.6 At its meeting on the 26<sup>th</sup> October 2016 Council agreed to a scheme to develop the existing waste and recycling depot site at Pembroke Road.
- 6.7 The total scheme cost would be £9.2 million, of which £1.9 million would only be required if there was sufficient evidence of the demand and take up for the expanded vehicle testing facilities.
- 6.8 The report and business case was predicated on the cost of scheme being met from borrowing, whilst recognising that the amount might be reduced if there are additional capital resources received during the year.
- 6.9 The review of resources undertaken within this report balances the Council's need to invest in schemes with the anticipated unallocated resources available to it. Borrowing is not usually earmarked for individual purposes but instead intended to cover any gap between spending and income.

Silverstone Racing Circuit

- 6.10 At its meeting on the 14<sup>th</sup> September Council 2016 agreed to be part of a joint funding arrangement for a new Silverstone Heritage Centre by contributing £2 million by way of a loan facility.
- 6.11 Since the meeting the Silverstone Heritage Centre have confirmed that they have secured the £9.3 million Heritage Lottery funding that they had applied for. This was achieved on the basis that the surrounding councils and LEPS provided a maximum loan facility of approximately equal value. This has been achieved.
- 6.12 Even though this is a loan, the advance counts as capital expenditure for accounting purposes and must, therefore, be included within the capital programme review. The Council's resources will be replenished by the repayments of principal.

Provision of a Loan Facility for a Commercial Property in Aylesbury

- 6.13 General Purposes Committee met on 21<sup>st</sup> November 2016 to consider the provision of a loan facility for £5.2 million to an entity to enable them to secure a commercial property in Aylesbury.
- 6.14 Because of commercial sensitivity, the Committee met in closed session and agreed unanimously to make available the loan facility. Similarly to the loan to Silverstone Heritage Centre, the provision of this loan counts as capital expenditure.
- 6.15 The loan facility replaces a commercial offer and the terms will be similar to that commercial offer, thereby demonstrably being at a commercial rate if interest.
- 6.16 The sums included within the capital programme represent the estimated cost of the schemes and the assumption that they will be met from existing resources.

## **7. Housing Schemes**

- 7.1 The main element of funding within this category relates to the Council's housing enabling function.
- 7.2 The Council continued to be successful in its delivery of affordable housing projects over the early period of the recession. However, currently housing associations have had to review their business plans in light of a change in the level of rents that they can charge, so potential new schemes have been delayed. Housing will continue to work with the housing associations to deliver as many houses as possible within their resources.
- 7.3 So other than carrying forward sums committed but unspent from previous years, no change is proposed to the funding provision for these projects.

## **8. Other Projects**

- 8.1 Provision for these schemes remains unchanged, other than carrying forward unspent sums on schemes, which have been delayed for reasons outside of the Council's control, examples being Wendover car park extension.
- 8.2 Project managers are currently looking at the current Wendover car park configuration and reviewing the best and most cost effective way of undertaking the redevelopment to provide additional parking bays. The size of the car park will not change, however the project managers are being tasked with making the most of the space available to ease parking pressures. No indicative project costs have yet been formulated and so the impact on the capital programme at the time of writing this report is unknown.
- 8.2 The programme already includes a provision to replace some of the Refuse and Recycling fleet. However, with the bulk of the fleet coming to the end of its lease period a proposal was agreed at Council, alongside the Depot enhancement project on the 26<sup>th</sup> October 2016, whereby the new vehicles are purchased rather than leased.
- 8.3 The cost of purchasing the fleet would be around £3.6 million, this amount has been included in the attached programme. If the cost cannot be met from within existing resources then borrowing will have to be undertaken.
- 8.4 Members approved funding in December 2014 to a Compulsory Purchase Order (CPO) in respect of a long term property in Albion Street, Aylesbury. The necessity of this purchase is currently under review as the status of the property may have changed and this is being investigated. If it is determined that the property can no longer be categorised as a long term empty property then the purchase will not go ahead. The funding allocated for the purchase will be carried forward until officers are able to confirm whether it is still required. It is hoped that this can be resolved before the start of the 2017/18 financial year.

## **9 Options considered**

- 9.1 The proposed capital programme represents the allocation of anticipated resources in accordance with corporate priorities.

## **10 Reasons for Recommendation**

- 10.1 The Council is required to set a capital budget for the coming financial year and proper financial management incorporates a longer term view of capital activity. Regular review and updating of resource availability and capital

investment plans is essential especially when a number of major schemes are running in parallel.

## **11 Resource implications**

- 11.1 Each of the additions of the Capital Programme made since the last formal reviews were accompanied by a detailed Business Case. These reviews included the detail revenue implications, both of the detailed proposal and any financing costs assumes within it.
- 11.2 The revenue costs are incorporated into the initial Budget Planning report included elsewhere on this agenda.

## **12 Response to Key Aims and Objectives**

None.

Contact Officer  
Background Documents

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Capital Programme 2015/16 to 2019/20  
Cabinet November 2015

Capital Programme				2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
				£'000s	£'000s	£'000s	£'000s	£'000s
				Planned	Planned	Planned	Planned	Planned
<b>Capital Resources</b>								
Base Available Resources		8,587		8,587				
Add Contributions from New Homes Bonus		5,000			5,000			
Add Contributions from NHB Affordable Housing		1,864		466	466	466	466	
Add New Receipts and Contributions (Estimated)		11,827		5,969	2,910	1,460	1,488	0
<b>FORECAST RESOURCE AVAILABILITY</b>		<b>27,277</b>		<b>15,021</b>	<b>8,376</b>	<b>1,926</b>	<b>1,954</b>	<b>0</b>
Add Prudential Borrowing		12,800			12,800			
<b>TOTAL FORECAST RESOURCE AVAILABILITY</b>		<b>40,077</b>		<b>15,021</b>	<b>21,176</b>	<b>1,926</b>	<b>1,954</b>	<b>0</b>
<b>Capital Spend</b>								
		<b>SCHEME TOTAL</b>		<b>SCHEME COSTS TO DATE</b>				
<b>Major Projects</b>		<b>£'000s</b>		<b>£'000s</b>				
Waterside North (Exchange St) (via part NHB)		4,100		0	4,100			
Public Realm Waterside North (Exchange St)		3,300		0	3,300			
Pembroke Road Depot Upgrade (via Borrowing)		11,305		2105	9,200			
Silverstone (via NHB)		2,000			2,000			
Provision of Loan Facility		5,000			5,000			
<b>Major Project Expenditure Total</b>		<b>25,705</b>		<b>2,105</b>	<b>5,000</b>	<b>18,600</b>	<b>0</b>	<b>0</b>
<b>Housing</b>								
Disabled Facility Grants		1,939		1,233	306	100	100	100
Enabling schemes		33,000		25,750	1,069	1,500	1,500	1,681
<b>Housing Expenditure Total</b>		<b>34,939</b>		<b>26,983</b>	<b>1,375</b>	<b>1,600</b>	<b>1,600</b>	<b>1,781</b>
<b>Other projects in current programme</b>								
Car Park Improvements		800				600	200	
Refuse Vehicle Replacements		4,100		215	285	3,600		
Compulsory Purchase Albion Street		300			300			
Community Centre Improvements		400			150	250		
Play Area Replacement Programme		420				140	140	
<b>Other Projects Total</b>		<b>6,020</b>		<b>215</b>	<b>735</b>	<b>4,590</b>	<b>340</b>	<b>140</b>
<b>WHOLE PROGRAMME TOTAL SPEND</b>		<b>66,664</b>		<b>29,303</b>	<b>7,110</b>	<b>24,790</b>	<b>1,940</b>	<b>1,740</b>
<b>Cumulative Balance Remaining</b>	(- = overdrawn)			8,587	7,911	4,297	4,283	4,497
<b>Net Spend (-) / Income For the Year.</b>				-675	-3,614	-14	214	-1,781
<b>Uncommitted Balance as at 31 March</b>	(- = overdrawn)			7,911	4,297	4,283	4,497	2,716