

REPORT TITLE: CAPITAL STRATEGY

14 FEBRUARY 2018

REPORT OF PORTFOLIO HOLDER: Cllr. Guy Ashton

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WARD(S): ALL

PURPOSE

The report presents the Capital Strategy and Capital Programme for consideration and approval.

RECOMMENDATIONS to Cabinet and Council:

1. The Capital Programme and Capital Programme Financing (Appendices A and B to the report) be approved
2. That, in respect of the Winchester Sports & Leisure Park and as detailed in section 11, the following be approved:
 - a) to transfer up to £750,000 revenue expenditure to capital and to reprofile £750,000 of the capital budget originally profiled to 2018/19 to 2017/18 under Financial Procedure Rule 7.10; and
 - b) expenditure of this budget be approved under Financial Procedure Rule 6.4.

RECOMMENDATIONS to Cabinet:

3. That under Financial Procedure Rule 6.4 expenditure for the following budget items be approved:
 - a) the Asset Management Plan (£200,000 annually) as detailed in paragraph 10.6.3; and
 - b) the IMT equipment and software expenditure (£195,000 in 2018/19) as detailed in paragraph 10.7.6.

4. That the requirement to ensure Members have the right knowledge and skills to undertake their governance role as detailed in 10.11 is noted.

IMPLICATIONS:

1. COUNCIL STRATEGY OUTCOME

- 1.1. The investment of capital resources will contribute to the achievement of the Council's main objectives and priorities in the Council Strategy and Portfolio Plans. The Capital Strategy is an integral part of the Medium Term Financial Strategy.

2. FINANCIAL IMPLICATIONS

- 2.1. As detailed in the report.
- 2.2. The Government has also been consulting on revisions to the capital financing regime and CIPFA have recently published an update to the prudential code. Included in this update to the Prudential Code is the requirement that "the chief finance officer should report explicitly on the affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions". The statement below is the Winchester City Council Chief Finance Officer's response
- 2.3. Affordability and risk are key considerations within this capital strategy. The key principles articulated within this strategy include that the strategy must support the financial viability of the organisation, and that payback should be a key consideration of the strategy. Further analysis in the strategy sets out that the capital investment detailed within the strategy provides an overall positive return to the General Fund as well as providing a number of key services enhancements. The risk section is articulated below and importantly, business cases for new schemes are required to ensure that risks are adequately covered; one of the most significant risks being capacity to deliver the individual projects contained within the strategy and adequately identifying resources required at the commencement of projects. The HRA capital programme is a key element of the 30 year Housing Revenue Account (HRA) Business Plan which is refreshed annually; individual schemes are assessed for affordability within the overall context of this plan.
- 2.4. The Council has set aside further funding for the Strategic Asset Purchase scheme per the November 2017 meeting. There is a strong governance programme around the process for these purchases, and this is being reviewed at present after a year of inception to consider any further improvements. The total funding set aside of £30m is reasonable within the overall context of the Council's capital strategy. Over the next ten years, the strategy is expected to see over £290m of capital spend. Within this financial context and the Council's balance sheet and historic investment properties (£46.4m as at 31 March 2017) the Council has a long history of managing and acquiring assets to support its objectives. The level of this scheme remains proportionate within the Council's overall activities. This scheme is highlighted in this strategy and includes access to independent valuations to support commercial acquisitions or when considering the financial

implications of major schemes included within the capital strategy. The Council also utilises our treasury management advisors, Arlingclose, to consider the implications of the prudential code and the impact on the treasury management strategy.

- 2.5. The strategy articulates a wide range of new and existing activities. This blends some major regeneration ambitions, new infrastructure, and significant investment in housing as well as smaller schemes that are more local. The strategy also has ambitions to consider new income streams to the Council that fit with our ambitions in the Council Strategy and support areas which we already have skills and knowledge.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1. Individual projects included within the programme will be carefully considered in relation to legal and procurement issues and separate approvals sought as appropriate.

4. WORKFORCE IMPLICATIONS

- 4.1. Project resources for individual projects are identified as part of the business case production.

5. PROPERTY AND ASSET IMPLICATIONS

- 5.1. Many of the projects and schemes within the Capital Programme are related to the Council's properties and assets and therefore aligning the programme with the Asset Management Plan is an important consideration. The Capital Strategy Board plays a key role in ensuring that this process takes place and that funds are identified to improve the Council's assets in line with its Strategies and Plans.

6. CONSULTATION AND COMMUNICATION

- 6.1. The Capital Programme is a mechanism to deliver the Council's Strategy and associated schemes and projects. The formulation of the Council Strategy other supporting strategies and plans and associated consultation is therefore a key determinate in the formulation of the Capital Strategy and Programme.
- 6.2. Appropriate engagement and consultation is undertaken for all individual projects and schemes.
- 6.3. The Overview and Scrutiny Committee discussed the report at its meeting held on 29 January 2017 where officers and members of Cabinet responded to detailed questions. At the conclusion of questions and debate, the Committee agreed that there were no particular matters that it wished to raise for Cabinet to further consider.

7. ENVIRONMENTAL CONSIDERATIONS

- 7.1. Environmental considerations will be part of the business case supporting specific capital projects where relevant. Many of the schemes have environmental benefits included within them.

8. EQUALITY IMPACT ASSESSMENT

- 8.1. Equality Impact assessments will be considered as part of the business case for specific capital projects.

9. RISK MANAGEMENT

- 9.1. In setting out this strategy, and when considering the programme and the projects within it, reference is made to the Council's risk appetite as set out in section 10.10.

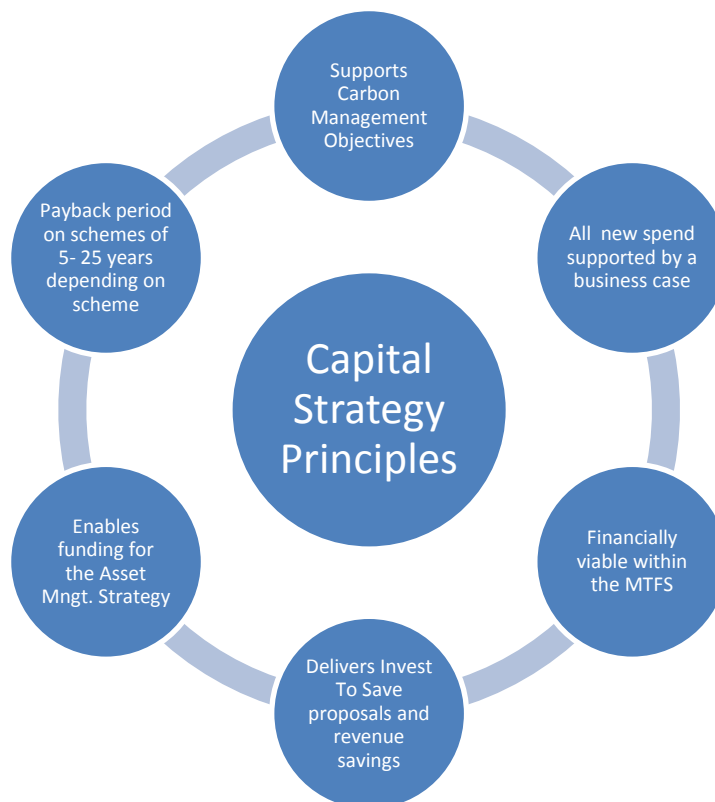
Risk	Mitigation	Opportunities
<i>Property</i> Council Assets not fully utilised	An effective capital strategy and its delivery helps to ensure Council assets are used to achieve the Council's objectives	Investment in the Council's assets can increase income generation
<i>Community Support</i> Projects are unsupported by the community or the community's needs are not met	Engagement is undertaken with for key projects to ascertain community views	Engagement with the Community ensures the Council's capital programme meets the needs of the district's citizens
<i>Timescales</i> Projects not delivered on time resulting in a delay in benefits to the Council	The 10 year strategy and its associated governance structures including monthly review by the Capital Strategy Board and quarterly at by O&S/Cabinet	Ability to increase the deliver of capital schemes
<i>Project capacity</i> Failure to deliver major capital schemes due to insufficient staff resources	Ensure robust business cases are taken forward and sufficient resources are available to deliver the Projects.	Consideration of a wide base of potential capital / investment schemes to enable a balanced risk portfolio and other schemes to be chosen should any schemes not progress
<i>Financial / FM</i>	Detailed elsewhere within	None

	the report	
<i>Legal</i>	Considered as part of the approval process for individual capital schemes	None
<i>Innovation</i>	Considered as part of the approval process for individual capital schemes	Strategy includes new schemes to innovate
<i>Reputation</i>	Considered as part of the approval process for individual capital schemes	None
<i>Other</i>		

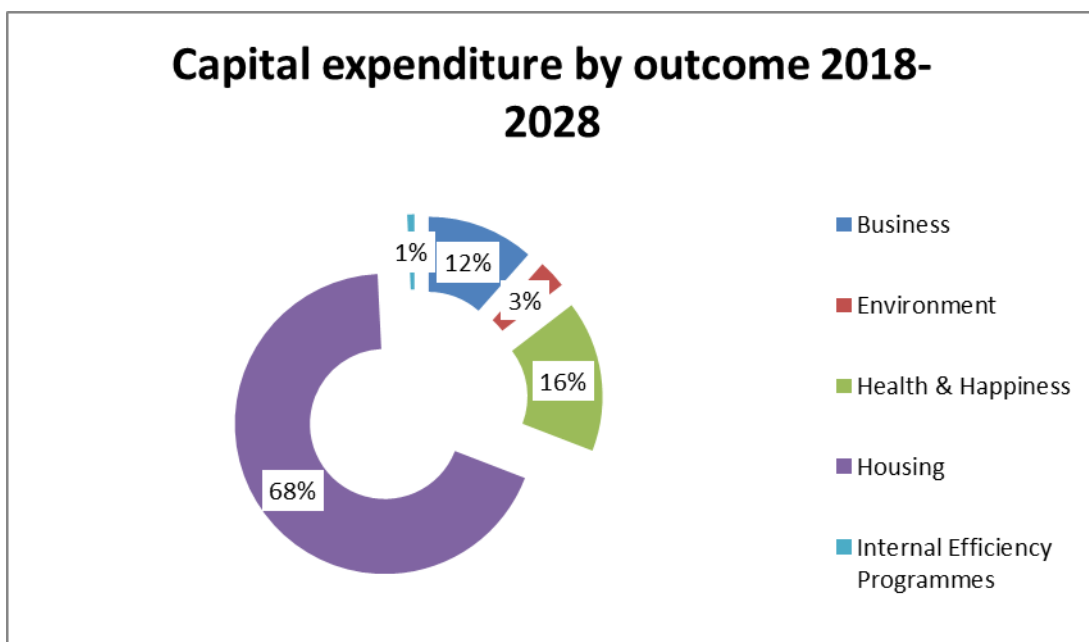
10. SUPPORTING INFORMATION:

10.1. Purpose

- 10.1.1. The primary purpose of this strategy is to identify and progress schemes to help deliver the Council Strategy and to help make the Council self sufficient in order to be able to deliver the level of required services.
- 10.1.2. The Strategy sets out the Council's capital spending programme and the principles which underpin this to deliver the Council Strategy:



- 10.1.3. The City Council's capital programme incorporates both the General Fund (GF) and the Housing Revenue Account (HRA) capital requirements to support service provision and links with the Council Strategy, Housing Business Plan, Asset Management Plan, IMT strategy and Medium Term Financial Strategy. This strategy provides a framework for the development and implementation of the capital programme.
- 10.1.4. As detailed in the Council's Medium Term Financial Strategy (MTFS), the Council is facing a significant reduction in its anticipated financial resources (further detail is provided in the paper elsewhere on the agenda – CAB3012). It is vital therefore that the Council maximises the use of its capital investment in the district over the next decade. As government grant to the Council reduces, the Council needs to utilise its capital programme to drive the most effective and efficient use of financial resources for the District's residents.
- 10.1.5. The Council Strategy details how the Council will deliver its four strategic outcomes: Business, Health & Happiness, Environment, and Housing. Several of these aims will be delivered through capital spend and associated projects including for example: the provision of new housing and maintenance of existing housing stock; major regeneration schemes; provision of new leisure facilities; and flood prevention schemes.
- 10.1.6. The following chart illustrates the percentage of total capital expenditure forecast for each of the Council's outcomes:



10.2. The Capital Programme

10.2.1. Over the period 2018 to 2028, the Council's total forecast capital expenditure is £291m of which £110m is General Fund and £181m is Housing Revenue Account. The following table summarises the capital programme by year for the period. Further detail by project is included in Appendix A.

Capital Expenditure	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
2018 - 2028	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.	Est.
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
General Fund	44.4	35.1	17.4	4.9	1.5	1.6	1.5	1.3	1.3	1.3
HRA	22.0	22.5	17.4	15.1	15.7	16.6	19.3	17.4	17.8	17.1
Total Expenditure	66.4	57.6	34.8	20.0	17.3	18.2	20.8	18.7	19.1	18.4

10.2.2. The existing programme contains a number of **significant projects**:

- The **Strategic Asset Purchase Scheme (SAPS)** seeks to identify assets for the Council to acquire which will assist the Council meet its strategic objectives whilst also generating ongoing revenue streams;
- The **Partnered Home Purchase (PHP)** scheme is designed to help local residents on to the property ladder through shared ownership in properties on the open market. This will also provide additional revenue to the Council via rental income on the share the Council will own;
- The delivery of **six hundred new Council homes**, including 76 properties at the Valley
- Provision of a **Replacement Surgery** in the city centre to replace the existing St Clement's Surgery;
- Investment in public realm and master planning with respect to the **Station Approach** area at **Carfax** and **Cattlemarket** subject to economic viability, business case and full review of delivery options;
- The provision of a state of the art **Sports & Leisure Centre** in the Bar End area

10.2.3. There are several **new projects** in the capital programme with the principles agreed:

- The **transfer of HRA Garages to the General Fund** which will provide the HRA with capital resources to enable it to expand its new build schemes and will provide the GF with ongoing revenue;
- Provision of a **new car park at The Dean in Alresford**;
- The establishment of a **Housing Company** to support the delivery of sub-market rented housing;

- **Main reception and office reconfiguration** to make better and more efficient use of the Council's offices, and promote One Public Estate principles;
- **IMT Smart Cities** – a project to provide a high-speed wireless network in the City as well a unique Winchester themed interactive App;
- Several new purchases in **the Guildhall** to replace aging equipment and provide enhanced functionality and quality including the **Bapsy Hall Audio Visual** system, a new **Booking System**, and **Committee Microphones**; and
- Works to improve the **kitchen ventilation system in the 1871 café**. This will reduce heat and fire risk, and improve safety.

10.2.4. The following are **key considerations for future years**:

Outcome: Business

- **Central Winchester Regeneration (CWR)** – the Council continues with its Corporate priority to regenerate the city centre to create a new heart and additional life and vitality in the area, support business and the city centre economy, and make it a more attractive place for residents and visitors alike. Consultation on the SPD (Planning Framework) was completed on 5 February, enabling the transition from planning through to the delivery phase. Consideration is currently being given to the next stages and the associated costs
- **Station Approach** – there are several potential options to deliver the regeneration of this area one of which is that the Council itself undertakes the development. Should this decision eventually be taken there would be a capital requirement of around £140m
- **Coitbury House** – options are currently being considered to undertake refurbishment and extension work to this existing asset in the CWR area to provide much needed office space
- **Extension of Chesil Multi-Storey** – as part of the improvements to this car park, the option of extending the car park is being explored to provide more spaces in the city centre and to offset spaces lost due to other developments
- **Payment Kiosks** – to streamline the process for customers paying by cash, cheque, and card at the City Offices in order to promote digital infrastructure and new channels for our services

Outcome: Health & Happiness

- **River Park Leisure Centre area** – the Council is keen to explore alternative uses for the land where the existing leisure centre is located once the new Winchester Sports and Leisure Park is open
- **District-wide Sports hall capacity** – CAB3015(LC) gave approval to a £50,000 revenue budget to consider the feasibility of building a separate sports hall elsewhere in the district

Outcome: Environment

- **Solar PV investment at new Sports & Leisure Park** – explore the potential to site a solar array on the roof of the new building to provide green energy and generate income
- **Solar Farm** – opportunities to invest in a solar farm either independently or in partnership are being explored. The potential benefits include supplying the Council with its own energy, supplying energy to Council owned assets including housing tenants, providing tenants with the option of a cheaper and greener energy supply
- **Bridge at City Mill** – the existing bridge over the Itchen at this location is narrow and the addition of a footbridge for pedestrians is being carefully considered.

Internal Efficiency

- **Enveloping Machine** – the capital programme currently has an allocated budget of £36,000 which allows for a like for like replacement of the current machine. However, the need to replace the machine presents the opportunity to purchase an improved option which could be utilised throughout the Council to provide wider benefits such as savings on postage. The estimated costs and potential savings are being investigated.

10.3. Financing the Capital Programme

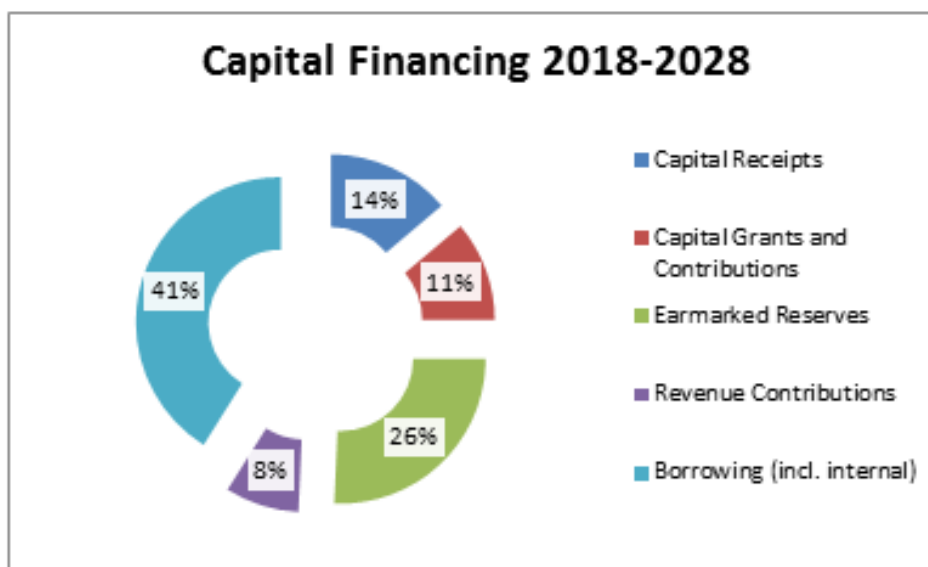
10.3.1. The Council can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”. For the HRA, a maximum level of borrowing (Housing debt cap) was imposed as part of the self-financing settlement and the Council can apply to the DCLG for increases to this cap.

10.3.2. The main sources of finance for capital projects are as follows:

- Capital receipts (from asset sales);
- Capital grants (e.g. Disabled Facilities Grant);

- External contributions (e.g. Section 106 developers' contributions and Community Infrastructure Levy (CIL));
- Earmarked Reserves (e.g. the Major Investment Reserve, the Property Reserve, the Car Parks Property Reserve, and the IMT Reserve);
- Revenue contributions; and
- Borrowing including internal (also known as the "Capital Financing Requirement").

10.3.3. Full details of the proposed financing for the 2018-2028 capital programme are provided in Appendix B and is summarised in the following graph:



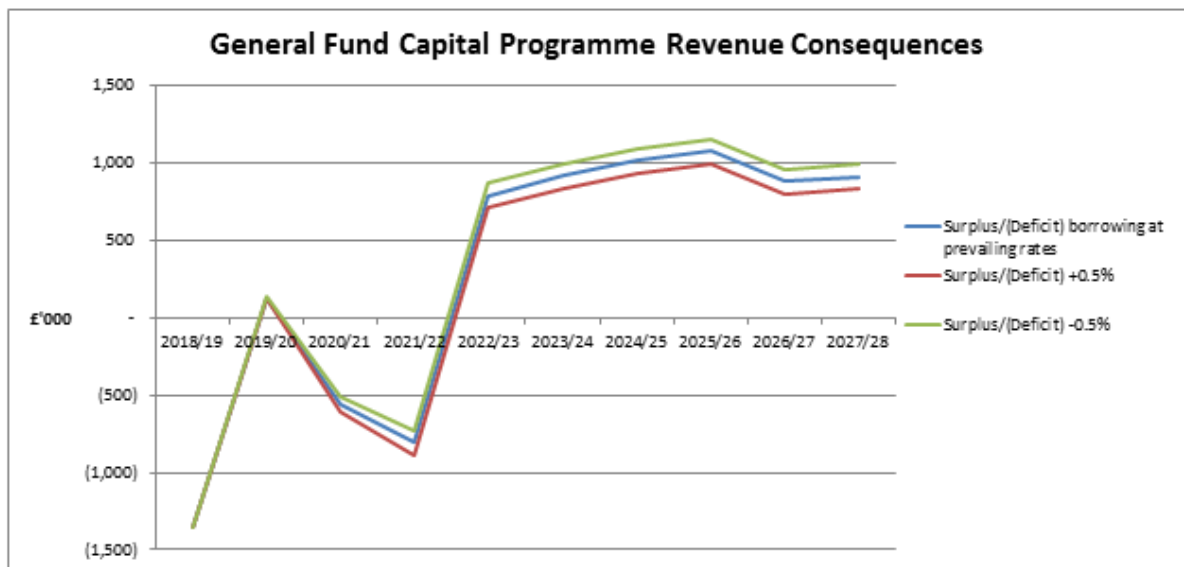
10.3.4. Borrowing (or Capital Financing Requirement) makes up a significant element of the Council's proposed financing over the next 10 years. While the Council has sufficient cash and investment balances in the near term it is able to internally borrow but in the future will need to borrow externally in addition to the £156.7m the Council has already borrowed as a result of the HRA self-financing settlement. Before committing the Council to borrowing, consideration is given to the forecast savings and/or income a new project may generate and how this will contribute to the financing costs as part of its respective business case. The Capital Financing Requirement is reduced over the life of individual assets by an annual contribution from revenue. Further information including borrowing forecasts, the provision for the repayment of debt, and borrowing limits are set out in the Treasury Management Strategy (CAB 3013 refers).

10.4. Revenue Consequences of the Capital Programme on the General Fund

10.4.1. Appendix C details the impact of the Capital Programme on the Council's General Fund. Not all projects provide savings or generate income but, in aggregate, the capital programme is forecast to have a positive net benefit to

the General Fund from 2022/23. There is an overall negative impact on the General Fund prior to this year which reflects significant spend on preliminaries and costs associated with major projects early in their lifecycle.

- 10.4.2. A significant proportion of the Council's programme is likely to be financed by borrowing and this exposes the Council to the risk of changing interest rates. The Council can mitigate against this by borrowing ahead of need where it is advantageous to do so. The graph below illustrates the General Fund capital programme revenue consequences at prevailing long-term rates available to the Council as well as the impact of a change in those rates by 0.5%:



- 10.4.3. For short term borrowing, prevailing rates available to the Council are as low as just under base rate (0.5%) and we would make use of these rates for short periods of time for cashflow purposes or where financially advantageous.

10.5. The approval process and Project and Programme management

- 10.5.1. For effective delivery of the Capital Programme it is important that the programme is realistic in terms of what is included within it in terms of projects which can be delivered on time, within budget whilst achieving the desired outcomes. The Council has a number of programme and project management procedures in place to help to ensure successful delivery of the capital programme, from the initiation and approval of projects to effective performance monitoring and post-implementation review.
- 10.5.2. The Council has an ambitious capital programme with several major projects. To expedite their delivery the Council created 3 new Heads of Programme posts in 2017/18 who will lead on the delivery of three specific major project areas: Station Approach; Winchester Sports and Leisure Park; and Central Winchester Regeneration.

- 10.5.3. The resource requirements for each corporate project are assessed as part of the development of the outline business case and associated project plan and initially identified in the Business Justification Case which is considered by the Capital Strategy Board. This is then looked at in relation to the whole programme of projects to determine the cumulative impact of delivery on staff resources. This can have impacts on key service areas such as the Council's Project Office in terms of providing project managers, and other key areas such as Legal, Finance and Estates teams depending upon the nature of the projects. Where required, external support is commissioned to provide resources which cannot be met from within the Council's own resources.
- 10.5.4. The Council's Programme Management Group, the role of which is to monitor the programme and projects delivery together with identifying and addressing resource issues, meets on a monthly basis to consider such issues and to report concerns and to refer key decision to the Senior Leadership Team.
- 10.5.5. Cabinet receives quarterly updates on financial performance as well as key projects (many of which are in the capital programme).
- 10.6. Asset Management Plan (AMP)
 - 10.6.1. The AMP seeks to address both the spending priorities for the maintenance of operational property and the development of the non operational estate to assist economic development and provide both capital receipts and revenue income streams. The most recent AMP covering the period to 2021 was approved in December 2016 (CAB2870 refers).
 - 10.6.2. The Council owns a well located portfolio of property which can provide an increasing level of income for the Council, whilst other sources of income may be restricted in growth. The value of the Council's portfolio can be unlocked by undertaking prudent development or refurbishment schemes on existing property, which can then be let to well secured tenants.
 - 10.6.3. The Capital Programme (Appendix A) includes specific projects in line with the AMP. In addition, a £200,000 annual budget, funded by the Property Reserve, has been allocated to support reactive maintenance and smaller scale refurbishments as they arise.
- 10.7. IMT Asset Management Plan
 - 10.7.1. The purpose of the IMT Service is to deliver cost effective robust data processing and voice services to support the productivity and ambitions of the Council. The IMT Service uses good practice methodologies (ITIL3) to ensure the quality control of supportable, sustainable and secure services.
 - 10.7.2. The Council has formulated a digital transformation strategy which is a key focus during 2018 and will aim to enhance how the Council engages and transacts with its customers whilst seeking efficiencies, savings and improvements. The Council is also keen to build on Smart City initiatives

particularly in relation to Transport/ Parking and Tourism applications which will help to meet wider objectives.

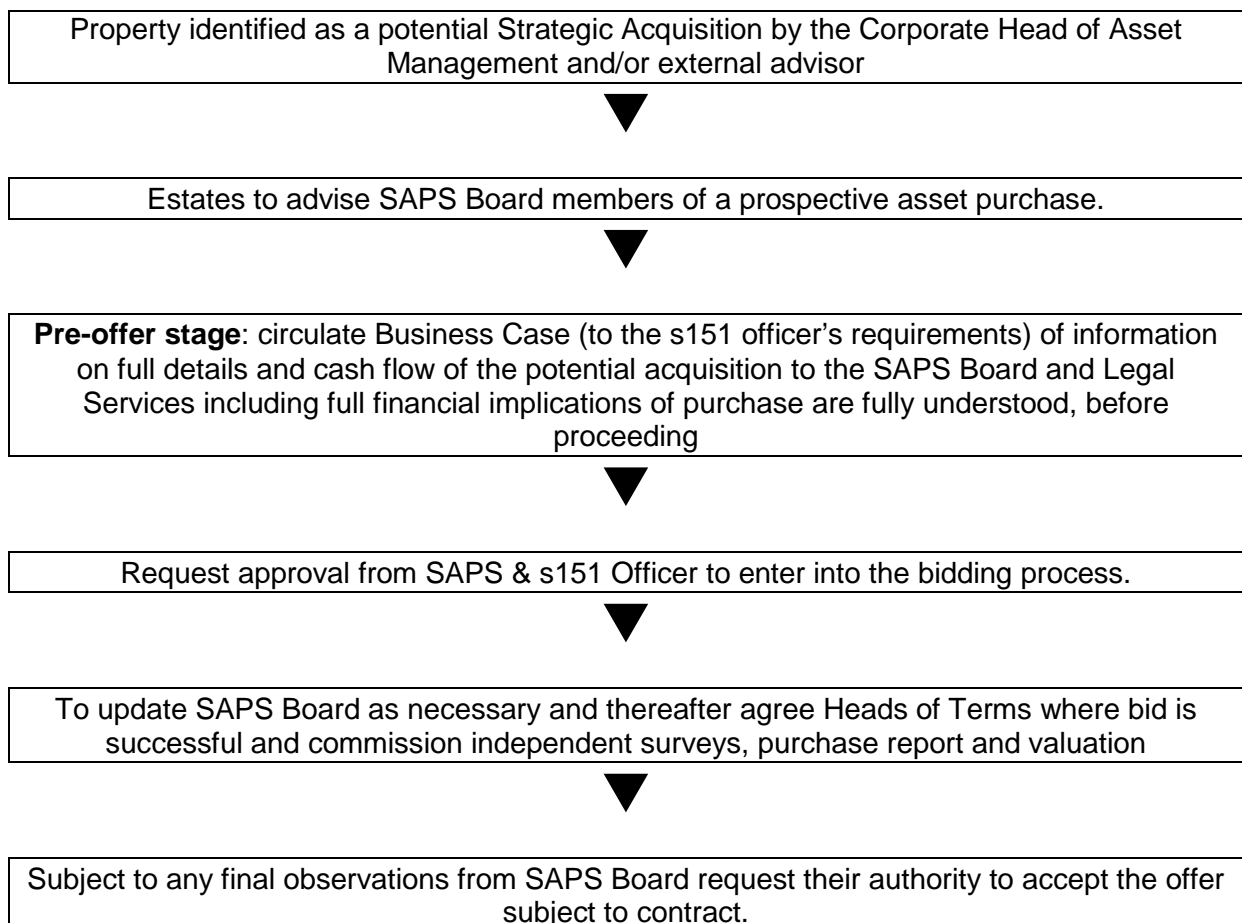
- 10.7.3. The Council formed an IT delivery partnership with Test Valley Borough Council (TVBC) over seven years ago that shares an infrastructure platform that continues to produce both capital avoidance and revenue financial savings. The assets which constitute the shared platform are jointly procured and owned. Other capital assets which are required solely for the use of either party will continue to be funded independently. This will be reflected in setting out investment requirements.
- 10.7.4. It is paramount that a funding provision be made available to ensure that the IT infrastructure remains fit for purpose and capable of delivering sustainable and supportable services. Equipment must be maintained in a condition which supports the needs of the business.
- 10.7.5. The Capital Asset Management Plan (AMP) for IT infrastructure recognises this requirement for fit-for-purpose equipment through a programme of continuous investment. Generally, equipment will require refreshment after 4-5 years, at intermittent intervals due to the practical constraint of delivery and implementation. The Capital Asset Management Plan (AMP) for IT assumes the need to refresh infrastructure items on a like-for-like basis, and proposed costs reflect this. In reality, after five years the technology will have “moved on” and new developments which offer further advances will be considered which may give greater benefits for the same investment.
- 10.7.6. The following table sets out the proposed IMT capital expenditure for 2018/19 to be financed from the IMT reserve:

IMT 2018/19	
Equipment	183
Software	12
Total	195
Smart Cities (subject to business case)	210

- 10.8. Housing Revenue Account (HRA)
- 10.8.1. The Housing Portfolio Plan takes full account of priorities detailed in the Council’s Housing Strategy, its 30 year HRA Business Plan and the Housing Asset Management Strategy.
- 10.8.2. Appendix A provides summary detail on the HRA capital programme for 2018/19 and forecasts to 2027/28. Further detailed information can be found in the Housing budget paper; CAB 3016 (HSG) refers.

10.9. Commercial Activities

- 10.9.1. As noted elsewhere in this report, the Council's Asset Management Plan seeks to develop the estate to assist economic development and provide both capital receipts and revenue income streams.
- 10.9.2. Individual projects are supported by appropriate business cases and the programme as a whole is monitored to ensure that sufficient resources are available both financial and in respect of staff. Where appropriate, the Council will procure additional external resource when either there is insufficient officer availability or when specialist advice and support is required.
- 10.9.3. In addition to this, Council approved a Strategic Asset Purchase Scheme (SAPS) in January 2017 (CAB 2872 refers) with a budget of £15m (recently increased to £30m). As part of this a SAPS Board was created which includes Members and officers; the Board receives recommendations of potential purchases and has delegated authority to make acquisitions up to £4m subject to due diligence or recommend to Cabinet and Council to approve for acquisitions above £4m.
- 10.9.4. The following flowchart details the process:





Once the bid is confirmed by SAPS Board, Asset Management to instruct solicitors and when contracts are agreed, seek final approval from SAPS to exchange.

10.10. Risk Appetite

10.10.1. The Council's Risk Appetite Statement is an integral part of the Council's Risk Management Policy and ensures that the opportunities the Council is willing to take to achieve its strategic outcomes and objectives are measured, consistent and compatible with the Council's capacity to accept and manage risk and do not expose the Council to unknown, unmanaged or unacceptable risks.

10.10.2. The Council during the course of the year will take fair, measured and targeted levels of risk to achieve the priority objectives included in the Council Strategy. There will be opportunities for the Council to be innovative or work differently and any identified risks will need to be considered against the anticipated cost or efficiency benefits.

10.10.3. The Council's Risk Appetite has four key elements and against each is the level of risk that the Cabinet is prepared to accept. These are set out below and will be used to assess projects as they are initially assessed and thereafter progressed.

Risk levels and description Key elements	Minimal As little risk as reasonably possible	Cautious Prefer limited delivery options	Open Consider all potential options	Seek Eager to be innovative
Financial/VFM	Very limited financial loss if essential (up to £100,000) VFM (focusing on economy) is primary concern	Some limited financial loss (from £100,000 to £500,000) Consider benefits and constraints beyond price	Will invest and risk losing (from £500,000 up to £2m or 10% of value – which ever is the lower of the two) for larger potential financial return Value and benefits considered, not just cheapest price	Invest and risk losing (from £2m up to £5m) for best possible return Resources allocated without firm guarantee of return
Exposure to Challenge	Be very sure we would win challenges	Limited tolerance for sticking neck out Reasonably sure we would win challenges	Challenge is problematic, but takes the necessary steps to manage and win this. Gain outweighs adverse consequences	Chances of losing challenge are real with significant consequences
Innovation, Quality, Outcomes	Innovations avoided unless essential or commonplace Essential systems or technology development only	Prefer status quo and avoid innovation Limited systems or technology development	Innovation supported New ways of working or using technology explored.	Innovation pursued Actively seek new ways of working or using new technology
Reputation	No chance for significant repercussions Avoid exposure to attention	Little chance of significant repercussions Mitigation in place for undue interest	Will expose to scrutiny and interest Management of reputation through actively listening and talking	New ideas experimented at the risk of damage to reputation
Appetite	Low	Moderate	High	Significant

10.11. Knowledge and skills

- 10.11.1. In order to deliver the Capital Programme it is essential that the Council has access to the right knowledge and skills.
- 10.11.2. Internally the Council employs fully qualified and experienced staff such as accountants, solicitors and surveyors. It is fully supportive in providing access to courses both internal and external to enable those staff to complete their Continuing Professional Development (CPD) requirements.
- 10.11.3. In addition, the Council ensures that its Members are suitably qualified to undertake their governance role by providing training opportunities (internally and externally provided) and access to workshops either within the Council or with its Local Government partners.
- 10.11.4. The Council also procures, when required, expert advice and assistance externally such as financial and legal advice.

11. WINCHESTER SPORTS & LEISURE CENTRE

- 11.1. It is necessary to re-profile the timing of some of the capital expenditure from 2018/19 to 2017/18 for design, assessment and survey work for the leisure Centre project to reflect work as part of the RIBA Stage 2 concept design stage.
- 11.2. In the early stages of this project, some items of expenditure have been treated as revenue due to the possibility that the project may not ultimately go ahead and, if this were the case, these costs would need to be recognised in the year they were incurred. However, the project is now at a stage where its completion is highly likely and it is therefore prudent to capitalise expenditure where possible so that the cost of this expenditure can be spread over the life of the asset. This includes work on design, assessments and surveys as well as specialist work in relation to ground conditions, foul and surface water sewer capacity and visual impact. This does not represent an increase in the overall cost estimate but reflects the fact that more work has been done as part of RIBA Stage 2, normally undertaken in later stages, on geotechnical, hydrology and other specialist assessments together the additional time spent carefully considering and assessing the facility mix.
- 11.3. It is estimated that up to £750,000 of expenditure in 2017/18 can be capitalised.

12. OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1. None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

The Capital Strategy and Programme are approved annually.

Other Background Documents:-

None

APPENDICES:

Appendix A – Capital Programme 2018-2028

Appendix B – Capital Programme Financing 2018-2028

Appendix C – Revenue Consequences of General Fund Capital Programme 2018 to 2028

Appendix D – Capital Receipts Reserve Forecast

Capital Programme 2018 to 2028

				2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	Comments	Lead Officer	Outcome	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2018-2028 Forecast
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund															
Approved*															
Strategic Asset Purchase Scheme (SAPS)		Strategic Director - Resources	Business	-	15,772	-	-	-	-	-	-	-	-	-	15,772
SAPS - Transfer of HRA Garages to GF	Transfer of Garages from HRA to GF	Corporate Head of Housing	Business	-	3,078	1,961	1,977	1,510	-	-	-	-	-	-	8,526
Disabled Facility Grants	Help towards cost of home modifications	Head of Housing Options	Housing	1,036	950	800	800	800	800	800	800	800	800	800	8,150
Partnered Home Purchase scheme	Investment, and help to buy on open market	Strategic Director - Resources	Health & Happiness	-	2,000	2,500	-	-	-	-	-	-	-	-	4,500
Replacement surgery	Replacement surgery in City Centre	Corporate Head of Asset Management	Health & Happiness	100	3,848	320	-	-	-	-	-	-	-	-	4,168
Car Parks	Various	Head of Parking	Business	82	345	55	180	180	180	180	180	180	180	180	1,840
IMT Assets	Various	Corporate Head of IMT	Internal Efficiency	144	195	200	257	80	88	233	160	122	130	83	1,548
Enterprise Centre Managed Workspace	Workspace for small businesses	Corporate Head of Asset Management	Business	20	1,458	-	-	-	-	-	-	-	-	-	1,458
SAPS - Car Park at the Dean, Alresford	Acquisition of land and car park development	Strategic Planning Projects Officer	Business	-	1,005	-	-	-	-	-	-	-	-	-	1,005
Flood Prevention Works	Various schemes	Head of Programme	Environment	100	720	-	-	-	-	-	-	-	-	-	720
Matley's Yard	Small business unit and Council storage	Corporate Head of Asset Management	Business	5	570	-	-	-	-	-	-	-	-	-	570
New Special Maintenance Depot	Depot	Corporate Head of Asset Management	Internal Efficiency	-	209	-	-	-	-	-	-	-	-	-	209
Hampshire Community Bank	Share purchase	Strategic Director - Resources	Business	62	125	-	-	-	-	-	-	-	-	-	125
Chesil Theatre Capital Grant	Improvement works (capital grant)	Head of Development Management	Health & Happiness	-	90	-	-	-	-	-	-	-	-	-	90
River Itchen Maintenance	Capital maintenance works	Head of Drainage & Special Maintenance	Environment	-	79	-	-	-	-	-	-	-	-	-	79
Depot	Replace electricity supply to depot	Corporate Head of Asset Management	Environment	-	61	-	-	-	-	-	-	-	-	-	61
Winchester Bus Station	Purchase and refurbishment	Corporate Head of Asset Management	Environment	4,297	-	-	-	-	-	-	-	-	-	-	0
City Offices & Annexe Works	Essential remedial works	Corporate Head of Asset Management	Internal Efficiency	543	-	-	-	-	-	-	-	-	-	-	0
River Park Leisure Centre	Essential repairs	Corporate Head of Asset Management	Health & Happiness	310	-	-	-	-	-	-	-	-	-	-	0
Surface Car Park at Friarsgate	Demolition and surfacing	Corporate Head of Asset Management	Business	250	-	-	-	-	-	-	-	-	-	-	0
4B Middlebrook Street	Refurbishment to bring up to leasing standard	Corporate Head of Asset Management	Business	150	-	-	-	-	-	-	-	-	-	-	0
Hyde HA Waltham Chase Grant	Grant to Housing Association	Corporate Head of Housing	Housing	150	-	-	-	-	-	-	-	-	-	-	0
Open Spaces & Recreational Facilities	Abbots Walk play area	Head of Landscape & Open Spaces	Health & Happiness	141	-	-	-	-	-	-	-	-	-	-	0
Kayac Building	Acquisition and repairs	Corporate Head of Asset Management	Business	100	-	-	-	-	-	-	-	-	-	-	0
Casson Block	Improvements and modernisation to frontage	Head of Programme	Business	44	-	-	-	-	-	-	-	-	-	-	0
The Weirs - Essential Repairs	Essential repairs to the river bank	Head of Programme	Environment	38	-	-	-	-	-	-	-	-	-	-	0
Market Lane Toilet Works	Refurbishment	Corporate Head of Asset Management	Health & Happiness	36	-	-	-	-	-	-	-	-	-	-	0
Guildhall Heating System	Replacement	Corporate Head of Asset Management	Business	12	-	-	-	-	-	-	-	-	-	-	0
City Museum Lift Upgrade	Lift upgrade	Corporate Head of Asset Management	Health & Happiness	11	-	-	-	-	-	-	-	-	-	-	0
Tourist Information Centre	Refurbishment	Head of Communications & Marketing	Business	130	-	-	-	-	-	-	-	-	-	-	0
Total Approved*				7,761	30,505	5,836	3,214	2,570	1,068	1,213	1,140	1,102	1,110	1,063	48,821

Capital Programme 2018 to 2028

				2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	Comments	Lead Officer	Outcome	Revised Estimate	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	2018-2028 Forecast
				£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Subject to Appraisal															
Winchester Sports & Leisure Centre	Replacement leisure centre	Corporate Head of Asset Management	Health & Happiness	750	7,500	21,000	8,750	-	-	-	-	-	-	-	37,250
Housing Company	Provision of housing at sub-market level rents	Corporate Head of Housing	Housing	-	250	5,000	2,500	2,000	100	100	50	-	-	-	10,000
Station Approach - Public Realm	Improvements to the Public Realm	Corporate Head of Asset Management	Environment	-	-	2,500	2,500	-	-	-	-	-	-	-	5,000
Station Approach - Project Development	Commercial and residential development	Corporate Head of Asset Management	Business	-	1,200	600	-	-	-	-	-	-	-	-	1,800
Open Spaces & Recreational Facilities	Play area refurbishments and replacements	Head of Landscape & Open Spaces	Health & Happiness	120	310	25	210	120	180	110	110	-	-	-	1,065
Asset Management Plan	Reactive capital works to Estate	Corporate Head of Asset Management	Environment	141	200	200	200	200	200	200	200	200	200	200	2,000
Bishop's Waltham Depot	Industrial Units	Corporate Head of Asset Management	Business	-	1,000	-	-	-	-	-	-	-	-	-	1,000
Chesil Multi Storey car park	Essential works (resurfacing etc.)	Head of Parking	Business	-	861	-	-	-	-	-	-	-	-	-	861
South Winchester Coach Park	Replacement coach park	Head of Parking	Environment	-	600	-	-	-	-	-	-	-	-	-	600
Main Reception & office reconfiguration	Refurbishment	Corporate Head of Asset Management	Internal Efficiency	-	475	-	-	-	-	-	-	-	-	-	475
Abbey House	External and internal remedial works	Corporate Head of Asset Management	Environment	35	359	-	-	-	-	-	-	-	-	-	359
Changing Pavilions (Town A/C)	Replacements at North Walls & King George V	Head of Landscape & Open Spaces	Health & Happiness	-	300	-	-	-	-	-	-	-	-	-	300
Old Chesil Rectory	Improvements	Corporate Head of Asset Management	Business	-	220	-	-	-	-	-	-	-	-	-	220
IMT Smart Cities	Infrastructure and App	Corporate Head of IMT	Business	-	210	-	-	-	-	-	-	-	-	-	210
2-3 Bridge St	Remedial works to listed building	Corporate Head of Asset Management	Business	-	100	-	-	-	-	-	-	-	-	-	100
Handlebar Café	Capital Grant	Head of Development Management	Health & Happiness	-	75	-	-	-	-	-	-	-	-	-	75
Guildhall - Bapsy Hall AV upgrade	Upgrade to audio and additional resource for lighting system	Corporate Head of Asset Management	Business	-	50	-	-	-	-	-	-	-	-	-	50
Guildhall - New Booking System	Replacement to existing system with enhanced functionality	Corporate Head of Asset Management	Business	-	40	-	-	-	-	-	-	-	-	-	40
Guildhall - Committee Microphones	Replacement to existing system and enhanced sound quality	Corporate Head of Asset Management	Business	-	30	-	-	-	-	-	-	-	-	-	30
Guildhall - 1871 Kitchen Ventilation	Reduce heat and fire risk; improve safety	Corporate Head of Asset Management	Business	-	25	-	-	-	-	-	-	-	-	-	25
Enveloping Machine	Replacement - current machine at end of life	Head of Customer Services	Internal Efficiency	-	36	-	-	-	-	-	-	-	-	-	36
Central Winchester Regeneration	Regeneration and public realm	Head of Programme	Business	-	-	-	-	-	-	-	-	-	-	-	0
Redevelopment of Old Bar End Depot	Commercial development	Corporate Head of Asset Management	Business	-	-	-	-	-	-	-	-	-	-	-	0
Subject to Appraisal*				1,046	13,841	29,325	14,160	2,320	480	410	360	200	200	200	61,496
Total General Fund				8,807	44,346	35,161	17,374	4,890	1,548	1,623	1,500	1,302	1,310	1,263	110,317

Housing Revenue Account															
New Build		Corporate Head of Housing	Housing	14,329	14,632	15,101	9,975	7,614	8,250	7,906	10,566	8,530	8,898	8,125	99,597
Major repairs		Corporate Head of Housing	Housing	6,968	6,083	6,144	6,205	6,267	6,330	7,502	7,577	7,653	7,729	7,807	69,297
Improvements & Loft Conversions		Corporate Head of Housing	Housing	680	410	350	350	350	300	300	300	300	300	300	3,260
Disabled Adaptations		Corporate Head of Housing	Housing	770	770	770	770	770	770	770	770	770	770	770	7,700
Other Capital Spend		Corporate Head of Housing	Housing	222	138	100	100	100	100	100	100	100	100	100	1,038
Total Housing Revenue Account				22,969	22,033	22,465	17,400	15,101	15,750	16,578	19,313	17,353	17,797	17,102	180,892

Grand Total				31,776	66,379	57,626	34,774	19,991	17,298	18,201	20,813	18,655	19,107	18,365	291,209
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* Under the Council's Financial Procedure Rule 6.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

Capital Programme Financing 2018 to 2028

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
General Fund												
<i>Externally Funded</i>												
Government Grants	1,036	950	3,300	3,300	800	800	800	800	800	800	800	13,150
External Contributions												0
Non governmental grants	0	1,773	4,500	2,000	0	0	0	0	0	0	0	8,273
Open Space Fund	97	256	0	0	0	0	0	0	0	0	0	256
Developer's Contributions	150	349	0	0	0	0	0	0	0	0	0	349
Total Externally Funded	1,283	3,328	7,800	5,300	800	800	800	800	800	800	800	22,028
<i>Earmarked Reserves</i>												
Car Parks Property	82	1,756	55	180	180	180	180	180	180	180	180	3,251
Community Infrastructure Levy	0	600	0	0	0	0	0	0	0	0	0	600
Information, Management, and Technology	144	195	200	257	80	88	233	160	122	130	83	1,548
Landscape Mitigation	100	0	0	0	0	0	0	0	0	0	0	0
Major Investment Reserve	208	173	0	0	0	0	0	0	0	0	0	173
Property - Asset Management Reserve	802	684	200	200	200	200	200	200	200	200	200	2,484
Winchester Town	64	409	25	90	120	180	110	110	0	0	0	1,044
Total Earmarked Reserves	1,400	3,817	480	727	580	648	723	650	502	510	463	9,100
<i>Capital Receipts</i>	1,344	2,095	0	120	0	0	0	0	0	0	0	2,215
<i>Revenue Contribution to Capital</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Capital Financing Requirement</i>	4,780	35,106	26,881	11,227	3,510	100	100	50	0	0	0	76,974
Total General Fund	8,807	44,346	35,161	17,374	4,890	1,548	1,623	1,500	1,302	1,310	1,263	110,317
Housing												
Capital Grants and Contributions	1,507	2,828	800	1,628	248	555	1,112	1,500	1,000	400	300	10,371
Major Repairs Reserve	5,989	5,260	6,523	6,443	6,168	6,025	7,633	7,879	8,138	5,548	5,603	65,220
Capital Receipts	3,579	8,395	6,405	6,298	5,424	3,125	1,588	1,761	1,761	1,849	1,199	37,805
Revenue Contribution to Capital	8,894	5,550	6,937	2,231	3,261	1,045	1,245	2,173	1,424	0	0	23,866
<i>Capital Financing Requirement</i>	3,000	0	1,800	800	0	5,000	5,000	6,000	5,030	10,000	10,000	43,630
Total Housing Revenue Account	22,969	22,033	22,465	17,400	15,101	15,750	16,578	19,313	17,353	17,797	17,102	180,892
Total Financing of Capital Programme	31,776	66,379	57,626	34,774	19,991	17,298	18,201	20,813	18,655	19,107	18,365	291,209

Revenue Consequences of General Fund Capital Programme 2018 to 2028

Notes:

Revenue consequences are estimates and are subject to change. More detailed analysis is carried out prior to actual expenditure being approved.

To be consistent with the presentation in the published financial statements, negative figures (in brackets) represent income or savings.

* Under the Council's Financial Procedure Rule 6.4, the inclusion of a scheme in the capital programme does not constitute authority to incur the expenditure. Such authority is obtained subject to the various conditions and limits as set out in the Constitution.

GENERAL FUND	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Surplus/(Deficit) - approved*	109	198	695	748	696	675	627	649	667	685	703
Surplus/(Deficit) - subject to appraisal*	(1,181)	(1,552)	(566)	(1,307)	(1,500)	112	287	366	410	197	206
TOTAL SURPLUS/(DEFICIT)	(1,072)	(1,354)	129	(559)	(804)	787	915	1,015	1,077	882	909
Difference to TOTAL SURPLUS/(DEFICIT) (+0.5%)	-	(1)	(9)	(48)	(81)	(80)	(81)	(81)	(82)	(81)	(82)
Difference to TOTAL SURPLUS/(DEFICIT) (-0.5%)	-	1	8	46	79	80	79	79	78	79	78

Capital Receipts Reserve Forecast

CAPITAL RECEIPTS RESERVE	2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000	2026/27 Forecast £000	2027/28 Forecast £000
Consolidated Opening Balance	(14,864)	(13,137)	(10,550)	(9,223)	(7,961)	(6,636)	(5,561)	(6,076)	(6,470)	(6,916)	(7,337)
GENERAL FUND											
Opening Balance	(7,035)	(6,002)	(4,223)	(4,542)	(4,744)	(5,069)	(5,397)	(5,729)	(6,064)	(6,402)	(6,744)
Forecast receipts	(311)	(316)	(319)	(322)	(325)	(328)	(332)	(335)	(338)	(342)	(345)
Forecast utilisation	1,344	2,095	0	120	0	0	0	0	0	0	0
Closing Balance	(6,002)	(4,223)	(4,542)	(4,744)	(5,069)	(5,397)	(5,729)	(6,064)	(6,402)	(6,744)	(7,089)
HOUSING REVENUE ACCOUNT											
Opening Balance	(7,829)	(7,135)	(6,327)	(4,681)	(3,217)	(1,567)	(164)	(347)	(406)	(514)	(593)
Forecast receipts	(2,885)	(7,587)	(4,759)	(4,834)	(3,774)	(1,722)	(1,771)	(1,820)	(1,869)	(1,928)	(2,016)
Forecast utilisation	3,579	8,395	6,405	6,298	5,424	3,125	1,588	1,761	1,761	1,849	1,199
Closing Balance	(7,135)	(6,327)	(4,681)	(3,217)	(1,567)	(164)	(347)	(406)	(514)	(593)	(1,410)
Consolidated Closing Balance	(13,137)	(10,550)	(9,223)	(7,961)	(6,636)	(5,561)	(6,076)	(6,470)	(6,916)	(7,337)	(8,499)