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EXEMPT INFORMATION – Paragraph 3 – Information relating to the financial or business affairs of an particular person including the authority holding that information. (Applies to Appendices A, B and C)

AGENDA
ITEM

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WEST DEVON BOROUGH COUNCIL

AGENDA
ITEM

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NAME OF COMMITTEE	Council
DATE	27 March 2012
REPORT TITLE	Capital Programme 2012/13
Report of	Head of Finance and Audit
WARDS AFFECTED	All

Summary of report:

To outline the 2012/2013 Capital Programme, as shown in Appendix A.

Financial implications:

The Council has severely limited resources, in the form of capital receipts, to fund Capital Projects in 2012/2013. The report sets out Capital Bids to the 2012/2013 Capital Programme totalling £807,700 and a suggested way that these Bids can be funded. The report also sets out a provisional allocation of £335,000 for the Leisure Centres.

RECOMMENDATIONS:

Members are requested to approve:

- 1 The budget for the 2012/2013 Capital Programme totalling £807,700, as shown in Section 5.1, in relation to capital projects to be approved for a funding commitment.
- 2 The proposed method of funding these Capital Bids of £807,700, as set out in Section 5.2.

Members are recommended to:

- 3 Delegate approval to the Head of Environmental Health & Housing, in consultation with the Head of Finance, to be able to amalgamate the Private Sector Renewal Grant budget and the Disabled Facilities Grant budget in each financial year and to use the total budget in order to meet the demands of both capital schemes.

- 4 Identify a provision of £335,000 for future capital expenditure on the Leisure Centres as per Section 4.9 and the Exempt report 'Consideration of the current and future leisure contract' also on this agenda. (This is a provisional allocation and not a funding commitment at this stage).

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1. BACKGROUND

- 1.1 This year all services within the Council have put forward capital bids for capital funding for particular projects.

2. CAPITAL PROGRAMME 2012/13 – 2014/15

- 2.1 At present, capital budgets have been approved which fully commit all the Council's capital receipts leaving a capital resource provision (uncommitted remaining funds left) of only £100,000.

3. FUNDING POSITION

- 3.1 The table below shows the funds available to be carried forward into 2012/2013, from the 2011/2012 Capital Programme, totalling £100,000.

Capital Programme 2011/12	£'000	£'000
Usable Capital Funds Reserve – as at 1 April 2011		(1,125)
Less existing Capital Programme for 2011/12	2,425	
Funded by Revenue Reserves	(64)	
New Homes Bonus 11/12 – as per Strategies & Resources Committee report April 2011	(100)	
Funded by Earmarked Reserves	(66)	
Funded by Section 106	(250)	
Funded by Government Grants	(920)	
		1,025
Capital Resources to be carried forward from 2011/2012 to 2012/2013.		(100)

4. CAPITAL BIDS 2012/2013

Paragraphs 4.1 to 4.8 relate to funding commitments, which, if approved, will proceed.

Paragraph 4.9 is for a provisional allocation and not a funding commitment at this stage.

4.1 Tenants Incentive Scheme

There is a shortage of affordable housing in West Devon and whilst the Council continues to work to increase the supply of new homes it is important to ensure

that the existing stock of affordable housing is used effectively. The Tenants Incentive Scheme provides a financial incentive to households in the social housing stock under-occupying their home and prepared to move to a home with at least one bedroom less. The amount of the incentive depends on the number of bedrooms released. It makes best use of the existing affordable housing stock.

Its purpose is to meet identified local housing needs and prevent homelessness. The Tenants Incentive Scheme was implemented in 2004 and was originally funded through the remainder of the capital receipt received following stock transfer. The amount available was £37,000. This sum released 15 larger units of accommodation. The public subsidy required to build these homes would have cost around £800,000.

4.2 Village Hall Grant Scheme

This scheme is to provide a fund to assist village halls with capital improvement works and new build projects to support capital village hall projects within West Devon which contribute to the Council's Community Life priority. Village halls represent the largest network of indoor community and recreational facilities in West Devon. In West Devon there are in excess of 50 village/community halls all of which have in the past or will in the future want support from the Council.

Village halls are increasingly becoming the focal points of villages, offering an increasing range of services including; the village shop, post office, GPs, training and learning courses, physical activities, playgroups, artistic performances, as well as being places of general community interaction. By offering so many services and facilities, Village Halls strongly contribute to the future sustainability of rural communities.

Innovation is essential for halls to remain viable, however, this grant scheme also proves very valuable to West Devon's Village Halls because it recognises the need to also maintain the general internal and external fabric of a hall's structures. Typical projects include improving disabled access to hall and toilet facilities, energy efficient heating and lighting systems.

Funding for 2011/12 and 2012/13 was agreed at Full Council on 15th Feb 2011, this bid refers to bids for 2013/14 and 2014/15.

4.3 Community Project Grant Scheme

To provide a fund that supports community organizations with capital project costs. To support capital projects within West Devon which contribute to the Council's Environment, Economy or Community life.

This grant scheme has been running since 1995 supporting a range of community led capital projects throughout the Borough. Projects have included those highlighted in MTCi and Parish Plans and those put forward by community groups. Support of projects is based on evidence of community support and need. Typical projects include new/improved play areas, community transport, sports facilities, community and youth centres, species and habitat enhancement

projects. The grant scheme contributes to new/improved/sustainable facilities for the population in West Devon according to their needs. Around 15 projects are supported by this grant scheme per annum.

The grant scheme supports a range of innovative and important local projects that provide key services and facilities, which without Borough Council support might otherwise not attract other local or national funding.

The grant scheme delivers to all age groups within the Borough, with one of the main benefits being its flexibility. The need and support for the projects must always be clearly evidenced, and in this way, the scheme is able to support projects that are important to our rural communities.

Assistance from the Borough Council Community Project Grant scheme demonstrates strong local support, which is essential in attracting external funding from local, regional and national sources including the Big Lottery Fund, landfill tax credits, charitable Trusts and Foundations. Per annum, the grant scheme usually draws in between £10 and £20 of external funding for every £1 from the Council. There are no revenue consequences for WDBC other than administration of the grant, and assistance with securing other funding where necessary.

Funding for 11/12 and 12/13 was agreed at Full Council on 15th Feb 2011. This bid refers to bids for 13/14 and 14/15.

4.4 Website

At present South Hams and West Devon each operate their own web site and content management software. The content management systems at both sites are at end of their life and due for replacement. In March 2010 the Joint Services Group agreed that

“Both websites be improved to exploit their use as a platform that can maximise their potential for transactions and thus reduce operating costs, in line with the report from SOCITM - Shared ICT Services”.

In September 2011 a survey of Members and staff identified the Website Project as the top priority for the 2015 Transformation Programme.

This strategic project will deliver a new website for West Devon and South Hams Councils and customers. There will be a new look and feel at the front end with up to-date good quality information and where appropriate, online transactional capabilities.

A copy of the report for the new Website was presented to the Strategies & Resources Committee on 24 January 2012. There is already an existing budget of £35,000 for this project. This is a request for a further £5,000.

4.5 New Revenues and Benefits Software

A report was presented to the Strategies & Resources Committee on 13th March regarding this project. The recommendation to Council is that £32,700 of the capital set up costs be funded from the General Fund Un-earmarked Reserves, in addition to the £30,000 already earmarked from the existing Revenues and Benefits Development Fund Earmarked reserve.

4.6 Disabled Facilities Grants

The Council has a statutory duty under the Housing Grants, Construction and Regeneration Act 1996(as amended) to fund adaptations to properties to enable people to live independently within their home. The grants, known as Disabled Facilities Grants (DFG), are means tested grants of up to £30,000 and are awarded to qualifying residents, regardless of tenure. Grants for qualifying children are not means tested. Grants range from simple stair lifts and ramps up to house extensions and multiple adaptations to kitchens/bathrooms. There are conditions on future occupation and a sum of up to £10,000 can be repaid in certain circumstances.

In order to reduce the pressure on the DFG budget and secure value for money when approving grants, a number of initiatives have been undertaken and implemented. These include a Schedule of Rates for Level Access Showers, a stair lift contract (saving approximately 30% on each lift) and the development of a protocol with Registered Providers seeking their commitment to pay for all, or a proportion of, their adaptation costs.

The Council receives a grant from Government each year based on a formula relating to the profile of the district/borough. The demand for the grants exceeds the Government allocation. Until last year the Council had a duty to match fund the grant at a rate of 40% of the total budget (for example Government grant £150,000, WDBC £100,000 = £250,000 budget).

This requirement, and the ring fence on the Government grant, has been removed. The demand however remains and is increasing in line with the ageing population.

The budget for 2011/12 comprised of a Government Grant of £174,000 and a carry forward of unspent DFG capital of £100,000 from 2010/11 (this arose due to changes in working practice at Devon County Council resulting in a reduced spend compared with previous years). Due to the lack of available capital resources, Members determined to use unspent Regional Housing Pot (Decent Homes Grant) money should the above budget be exceeded. The Decent Homes Grant from Government has now been completely cut (for 2010/11 this was £361,000) and therefore this approach will be unsustainable in future years.

In order to discharge the Council's statutory duty and meet predicted demand it is recommended that the Council commits £280,000 from capital (New Homes Bonus) each year over the three year budget period, in addition to the Government grant, predicted to be £170,000. This would give a Budget of £450,000 for Disabled Facilities Grants. It is recommended that any under

spends be rolled forward over the three year period to deal with fluctuations in demand. It is also recommended that repaid grant moneys from DFGs are recycled into the budget for future use.

4.7 Private Sector Renewal (Homes Strategy)

This provides funding to support the delivery of the Homes Strategy through the provision of recyclable loans aimed at reducing fuel poverty, bringing empty properties back into use and securing safe and healthy homes in line with the Councils duties under the Housing Acts.

The budget for 2011/12 is £322,000 with a predicted spend of approximately £280,000 (including a transfer of £176,000 to the DFG budget as detailed above). Funding for Private Sector Renewal was historically funded from Regional Housing Pot (Decent Homes Grant) which has now been completely removed.

It is recommended that the Council sets a budget of £125,000 from capital (funded by New Homes Bonus) for Private Sector Renewal Grants. It is recommended that any under spends be rolled forward over the three year period to deal with fluctuations in demand and build up a sustainable loan fund. It is also recommended that repaid grant moneys from historical PSR activity are recycled into the budget for future use.

4.8 Affordable Housing

Historically, funding for new affordable housing has been provided by the Homes and Communities Agency (HCA). Following the Comprehensive Spending Review in early 2011, the HCA's capital budget was cut by almost 60%. This has created a very challenging funding climate both nationally and locally. Whilst there is less HCA grant available, the Council's Core Strategy requires small developments to provide financial contributions toward the provision of affordable housing. This approach will provide an important additional source of funding for affordable housing in future years.

Due to the significant changes to the social housing sector and reduced levels of funding nationally, the Affordable Housing Team will shortly be undertaking a review of how the Council prioritises and invests its resources in strategic housing. The review aims to identify priorities together with alternative methods and approaches to investment. This will include, for example, looking at how overall affordability can be improved by investing in higher energy performance to reduce the overall cost to the occupier. The review will also consider how Council investment can be recycled more effectively within the borough. The team will fully engage Members in the review before seeking formal approval in early 2012.

It is recommended that the Council sets a budget of £150,000 from capital (funded by New Homes Bonus) for Affordable Housing.

4.9 Leisure Centre Bids

A full condition survey on both Leisure Centres has recently been carried out. Members are recommended to identify a provision of £335,000 for future capital expenditure on Leisure Centres as per Appendix B. The recommendation is to make a provisional allocation within the Capital Programme. This is not a funding commitment at this stage. There will be no expenditure incurred without a further report being brought back to Members, after further consideration of the results of the recent condition survey which has been undertaken.

The suggested provision is £335,000. The detail of how this figure is made up is set out in Exempt Appendix B. When considering the suggested provisional capital allocation for the leisure centres, Members' attention is also drawn to the Exempt report 'Consideration of the current and future leisure contract' which is also on this agenda.

5 FINANCING THE CAPITAL PROGRAMME 2012/2013

- 5.1 The following is a summary of the Capital Bids received for 2012/2013. Paragraphs 4.1 to 4.8 relate to funding commitments, which, if approved, will proceed. Paragraph 4.9 is for a provisional allocation and not a funding commitment at this stage.

Capital Bids for 2012/2013 (Funding Commitments)	Amount (£)
Tenants Incentive Scheme	15,000
IT Website	5,000
New Revenues and Benefits Software Contract	62,700
Disabled Facility Grants	450,000
Private Sector Renewal Grants	125,000
Affordable Housing	150,000
TOTAL	807,700

- 5.2 The table below shows the recommended way in which the Capital Programme for 2012-2013 is to be funded.

To be funded by:-	Amount (£)
New Homes Bonus 12/13 – See 5.7 (This is mainly funding Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing capital projects as detailed above)	575,000
Government Grant funding towards Disabled Facilities Grants	170,000
General Fund Un-Earmarked Reserve	32,700
Revenues and Benefits Development Fund Earmarked Reserve	30,000
TOTAL	807,700

- 5.3 The table below shows the recommended way in which the provisional allocation of £335,000 for the Leisure Centres within the Capital Programme for 2012-2013 could be funded.

Capital Programme 2012/2013 (Provisional Allocation)	Amount (£)
Provisional Allocation for the Leisure Centres	£335,000
To be funded by:-	
Capital Resources brought forward as per 3.1	100,000
Capital funds released back to general capital resources (See Note 1 and Note 2 below – these amounts total £252,000)	252,000
TOTAL	352,000
Balance remaining	17,000

Note 1 – There is currently a capital budget for £193,642 for West Devon Employment Land within the 2011/12 Capital Programme. As there are no current commitments to this budget, it is recommended that this budget is released back into the Capital Programme, to provide funding for next year's Capital Programme for 2012/2013. This means that this budget will be given up in the budget setting process. When new commitments arise for employment land, there will be sufficient lead-in time for this to be built back into the Capital Programme process.

Note 2 – The Capital Programme monitoring report of 13 March 2012 presented to the Strategies & Resources Committee identified that the 2011/2012 Social Housing Grant budget is underspent by £58,457, which can be released back into general capital resources, if an annual capital allocation of £150,000 per annum is committed to Social Housing Grant schemes as recommended in 5.1.

- 5.4 **New Homes Bonus Scheme** – This grant was introduced in 2011/12 and provides incentives for local authorities and local communities to be supportive of housing growth. The key elements are as follows:-

- The Government will match fund the council tax raised on each new home
- Bonus is payable for a six year period
- National average council tax bands will be used to calculate the bonus
- Band D home would attract an annual bonus of £1,439 per home
- Additional payment of £350 per year for affordable homes
- Bonus to be funded through Formula Grant
- In two tier areas 80% will be paid to Districts and 20% paid to Counties
- Bonus grant will not be ring fenced so can be spent on anything

- 5.5 The Council's allocation for 2011/2012 was £323,920 and the allocation for 2012/13 is £892,542.

- 5.6 A bonus is payable for a six year period and therefore West Devon Borough Council received £323,920 in year one and will receive at least £892,542 for the next five years. The grant is cumulative and a bonus is payable for a six year period. Formula Grant is likely to be replaced with business rates retention and new homes bonus from 2013-14 onwards.
- 5.7 The diagram below shows the proposed allocation of New Homes Bonus for 2012-13. The allocation of £200,000 towards funding the revenue base budget and £40,250 for the Dartmoor National Park has already been approved by Council on 14 February 2012. The amount being recommended to fund the Capital Programme is £575,000. This is £25,000 lower than the report which was presented to Council on 14 February, due to existing capital budgets within the existing Capital Programme for 2011-2012 now being identified as being able to be released back into capital resources to assist with financing the 2012-2013 Capital Programme (See Note 1 and Note 2 in 5.3 above).

Proposed Allocation of the New Homes Bonus (NHB) for 2012-13

Total Allocation for 2012-13	£892,542
Funding the 2012/13 Revenue Base Budget of the Council	£200,000
To use to fund the Capital Programme for 2012-13 (This is mainly funding Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing capital projects as detailed above)	£575,000
Provision for a share of the NHB for the Dartmoor National Park Authority	£40,250
Unallocated amount remaining	£77,292

- 5.8 The Council has very little remaining capital resources and the New Homes Bonus Scheme could provide a partial funding solution for the capital programme in the longer term, in particular for Disabled Facilities Grants, Private Sector Renewal Grants and Affordable Housing.

6. LEGAL IMPLICATIONS

- 6.1 In accordance with section 2.2 of the Council's Financial Procedure Rules, Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from Strategies and Resources Committee. As per 3.14 of the Rules, the Head of Finance is responsible for ensuring that a Capital Programme is prepared on an annual basis for submission to Council.
- 6.2 The Appendices in this report have been placed in part 2 of the agenda due to their commercial sensitivity. An assessment has been carried out as to whether the public interest in withholding this information from the public domain outweighs the public interest in disclosing it. It was assessed that maintaining the confidentiality of the commercially sensitive information relating to various bodies outweighed the public interest in disclosure of the same.

7. FINANCIAL IMPLICATIONS

7.1 The financial implications are set out in the report. The report sets out funding commitments of £807,700 and a provisional allocation of £335,000.

8. RISK MANAGEMENT

8.1 The risk management implications are addressed within the report.

9. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report meets all the corporate priorities as they are all implicit within the budget setting process.
Statutory powers:	Local Government Act 1972, Section 151
Considerations of equality and human rights:	N/A
Biodiversity considerations:	None directly related to this report.
Sustainability considerations:	None directly related to this report.
Crime and disorder implications:	None directly related to this report.
Background papers:	15 November 2011 – S&R Committee – Capital Programme 2011/12 24 January 2012 - S & R Committee – Revenue Budget Update 2012-13 Capital Programme and New Website 13 March 2012 – S & R Committee – Update on the New Revenues and Benefits Software Contract
Appendices attached:	A – Exempt - Capital Programme 2012/13 – 2014/15 B - Exempt – Leisure Centre Capital Bids C - Exempt – Leisure Centre Capital Bids