

NOT FOR PUBLICATION

Appendix A to this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**
Date: **13th December 2018**
Title: **Capital Programme Monitoring**
Portfolio Area: **Support Services**

Wards Affected: **ALL**

Relevant Scrutiny Committee: Overview and Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Angela Endean** Role: **Capital Accountant**
Pauline Henstock **Finance Community of Practice Lead**

Contact: angela.endean@swdevon.gov.uk **01803 861480**
pauline.henstock@swdevon.gov.uk **01803 861377**

Recommendations:

1. That the Executive endorses the content of the Monitoring Report.
2. To recommend to Council that £56,601 of the remaining 2017/18 capital programme contingency budget of £155,000 is approved to be allocated to the two capital projects set out in the report (in section 3) as shown below:
 - Café, Cliff House Gardens, Salcombe £41,601
 - Air Handling Unit, Council Chamber £15,000

1. Executive summary

The report advises Members of the progress on individual schemes within the approved capital programme, including an assessment of their financial position.

The monitoring of the capital programme at month 6 (end of September 18) has not highlighted any significant areas of concern to report to Members. The anticipated level of expenditure is within the existing capital budget for each individual project (Appendix A).

There was a remaining balance of £155,000 from the 2017/18 capital programme contingency budget, which has been carried forward to 2018/19. As part of this report it is recommended that £56,601 of the remaining 2017/18 capital programme contingency budget of £155,000 is approved to be allocated to the two capital projects set out in the report (in section 3) as shown below:

- Café, Cliff House Gardens, Salcombe £41,601
- Air Handling Unit, Council Chamber £15,000

In addition there was a separate capital programme contingency budget of a further £150,000 for 2018/19 and none of this has been spent.

If the recommendations in this report are approved, this would leave £248,399 remaining in the capital programme contingency budget.

2. Background

The capital programme for 2018/19 was approved by Council on 22 February 2018 (62/17 and E.46/17 refer). This report provides an update on the Capital Programme and also on those schemes that remain outstanding from previous programmes.

A summary of the Capital Programme is shown in exempt Appendix A. The award of contracts is subject to the Council's procurement rules on competitive tendering and therefore the allocated budget is commercially sensitive.

3. Outcomes/outputs

Members are requested to endorse the following updates on the Capital Projects:

Capital Programme 2017/2018 and prior years

Langage Business Park

As part of the s106 agreement for the Langage Energy Park, the energy park operator, along with the owner of the land surrounding the park, jointly agreed a payment of £1,200,000 to SHDC towards the provision of 30,000ft² of industrial-use starter units. The Council is in receipt of this sum and is continuing discussion with the land owner (LEPL) to agree the timing, form and location of these starter units. The s106 also provides for LEPL to procure land and lease this to the Council on a peppercorn rent for the starter unit development, either on land surrounding the Energy Park or elsewhere within the South Hams. The s106 agreement was prepared a number of years ago and many of the linked planning conditions are now being reviewed as the developer believes these should be discharged.

The original plan was that a starter unit development could be a catalyst to kick-start other development on the Energy Park – bringing economic benefits (employment and supply chain) and income (business rates and rent) to the South Hams. The Council would need to add to the £1,200,000 investment in order to deliver 30,000ft² of starter units. A business case for such a development will be prepared as negotiations progress and a plan emerges, leading to a Council recommendation. Meanwhile, LEPL are active in sourcing interest in the land, which has been allocated as a strategic employment site in the Joint Local Plan.

Affordable Housing Update

The table below gives an update on the various affordable housing capital budgets and schemes.

Scheme	Budget	Narrative
Community Led Housing	£100,000	Community led housing initiative was launched in April 2014. A change from a loan to a grant scheme was approved at Executive in December 2015. This was in response to concerns raised by community groups around

Scheme	Budget	Narrative
		being able to repay loans granted. £50,000 has been paid to two community groups - Harberton Community Land Trust and Transition Town Totnes to help with the costs associated with bringing forward a planning application. The Affordable Housing team continue to work with other emerging CLTs to provide advice and assistance.
Rural Affordable Housing	£400,000	£327,577 spent or committed to rural schemes. Schemes have been completed at Thurlestone, Avondale, Slapton, Moreleigh, Frogmore, Newton Ferrers, Churchstow and Rattery. There is still £72,423 available. There are ongoing discussions with Registered Providers to find viable schemes.
Existing Stock/Sustainability	£100,000	To reduce empty homes and make best use of the existing housing stock. £5,000 has been spent to date.

Café, Cliff House Gardens, Salcombe

Conversion of the building has been completed and the cafe opened at the end of the summer. When work commenced on site a structural issue was identified with the steps which formed part of the roof of the building. Additional expenditure of £41,601 was incurred in addressing this public safety issue. It is recommended that the overspend is met from the remaining contingency budget for 2017/18.

Leisure Centre (Quayside) – Major Repairs

Repairs were required to the seating area on the mezzanine floor at Quayside Leisure Centre. This work took longer to complete than expected but was finished in October, enabling the viewing balcony to re-open. The final invoices are expected shortly.

Vehicle Fleet Replacement

As per the final accounts for 2017/18 the balance brought forward on the Vehicle and Plant Renewals Reserve is £1,023,208. The contribution into the Reserve in 2018/19 is £490,000 giving a total budget of £1,513,208. Expenditure to date is £230,217. There is likely to be a further £400,000 spent before the year end on vehicles across all services.

A report on Front line Services (Waste & Cleansing Procurement) was presented to Council on 6th December 2018. This report included recommendations with regards to vehicle profile. A detailed fleet procurement programme for the future will be presented to Members early in 2019.

Leisure Investment

The leisure contract with Fusion Lifestyle commenced on 1st December 2016. A facilities update is shown below:

Dartmouth – The main building works were completed in December last year. New gym equipment was installed and completed in June 2018 with redecoration works.

Ivybridge – contractors have now been appointed for the new pool and centre refurbishment, later than planned. This development is the largest project across all the centres. Works started at the end June with the gym being relocated to the sports hall for several months. Hoardings are in place whilst internal works take place until completion at the end of the year. The main pool works will continue as a separate project until new pool side changing rooms are required next year and will join the main building. All works are progressing to timescale. Final completion is expected in July 2019.

Kingsbridge, Quayside – works started in May 2018, a few months later than planned following further discussions with the College and changes to the pool side column works, which are now included and managed directly by Fusion. A temporary gym was relocated to the sports hall during the summer holidays whilst works on new gym refurbishment, new soft play area, café and dry side changing works

took place. These works were delayed by a month and were completed in early October.

Totnes – Phase 1 development finalised with contractors appointed and works started in July. Gym and studio were temporarily closed for a few weeks whilst refurbishment took place. All works were completed in September. Plans are being put together for a Phase 2 works programme, subject to an agreed business case for up to £1.5m (to be funded by prudential borrowing), to be approved by the CoP lead for Assets, the Section 151 Officer, in consultation with the Monitoring Officer, the Leader of the Council and the lead Executive Member. [Minute C.33/16](#) refers.

Payments are made to Fusion monthly in respect of each leisure centre in accordance with the capital drawdown schedule which forms part of the contract. There has been no variation to the drawdown schedule. See table below.

Capital budget approved for Leisure Investment

2016/17	2017/18	2018/19	2019/20	Total
£242,896	£1,675,351	£4,247,466	£171,287	£6,337,000

Note: This excludes the £650,000 separate budget for Ivybridge Leisure Centre

Play Parks – replacement of play equipment

It is anticipated that the budget of £190,000 approved in 2017/18 but carried forward to 2018/19 will be spent this year. Invitations to tender for play parks will be issued early in 2019 and improvements to play parks will be required as part of potential asset transfers to Town and Parish Councils.

2017/18 was year 1 of a three year programme as shown below:

Capital budget for Play Parks (2017/2018 approved, 2019/20 and 2020/21 budget to be confirmed)

2017/18	2018/19	2019/20	2020/21	Total
£190,000	Nil	£190,000	£140,000	£520,000

Market Square, Totnes

This project is being led by Totnes Town Council. The project has completed a public consultation and internal design competition with Harrison Sutton. The preferred solution is with Harrison Sutton to work up into detailed design and specification. It is hoped that the works will be carried out in January/February 2020. This gives the whole of 2019 (calendar year) to tender the work and ensure the phasing of the work causes minimum disruption to the market.

Totnes Depot – divide existing depot

This budget is to cover the cost of creating a new highway access from Babbage Road into the back of the Depot. Usage of the yard area is to be rationalised such that space can be created to fence off and let a part of the yard with the benefit of its own access.

Capital Programme 2018/19

Follaton House

The Council is paying £50,000 per annum into a sinking fund for the refurbishment of the roof and replacement guttering on the old house.

Air Handling Unit for Council Chamber

A budget of £15,000 was approved as part of the 2018/19 capital budget for a new air handling unit in the council chamber. This budget is insufficient for the work to be carried out and another £15,000 will be required. It is recommended that the additional budget of £15,000 is met from the remaining contingency budget for 2017/18.

Coastal Assets

Approved budget and capital expenditure for Coastal Assets

	2015/16	2016/17	2017/18	Total
Budget	£300,000	£300,000	£300,000	£900,000
Expenditure	£64,203	£161,287	£79,690	£278,180
Balance Remaining	£235,797	£138,713	£247,310	£594,910

Although the analysis of the coastal budget expenditure shows an underspend in 15/16,16/17 and 17/18 totalling almost £600,000 this is primarily due to the asset team being able to secure over £630,000 of funding from the Environment Agency. This helped to finance engineering works undertaken throughout the South Hams including schemes at Beesands, Dartmouth and Torcross. If the team had been unsuccessful in securing this money the works would have still been required and financed from the budget.

Over the last 12 months the team have been working on the feasibility and design phase for works required on the Quay Walls at Kingsbridge. A contract for the works has been let and construction commenced in October. This project will utilise the majority of the residual budget.

Salcombe Harbour – replacement of toilets/showers and harbour office

The capital programme for 2017/18 included £350,000 for this scheme. Additional funds of £200,000 were approved as part of the 2018/19 capital programme. Detailed design work is now being undertaken in advance of a planning application. Proposals have been discussed with local Members, the Harbour Board and Tourist Information Centre.

Cemetery Expansion, Ivybridge

A budget of £30,000 was approved for this project as part of the 2018/19 capital budget. We are securing a contribution of £35,000 from a housing development in Ivybridge to put towards the cemetery expansion project and match fund our £30,000. It is unlikely that funding will come forward before 2019/20.

New Employment Units, Ermington

Tenders have been received and work is due to commence in 2019.

Ermington Mill – improvements to existing units inc. H & S

The architect (Gillespie Yunnie) is midway through the commission to ascertain what the best solution for the upper floors of the Mill building is. Early indications are that it should be possible to bring all the building back into commercial use. The report is expected towards the end of January 2019. The tender process would then follow, with works anticipated in September.

Pay on Entry (Public Conveniences)

An update was presented to the Executive on 22nd November 2018. It is expected that Pay on Entry equipment will be installed in 2019.

Private Sector Renewals including Disabled Facilities Grants (DFG's)

The budget for Private Sector Renewals Grants in 2018/19 is £700,000. The budget brought forward from 2017/18 is £197,892 giving a total budget of £897,892 available in 2018/19.

Expenditure to the end of September was £233,292 with a further £108,000 committed. There are Statements of Need being progressed which total another £323,731.

Spend on DFG's is based on demand, over which the Council has no control, and at present the service is processing and approving applications in line with this demand.

S106 Deposits

The list of S106 Deposits are shown in Appendix B. Some of these S106 Agreements have a clause within the S106 Agreement which states that the Council shall be entitled to use up to a five per cent (5%) part of the total payments and contributions payable pursuant to the provisions of the Agreement, towards the costs to be reasonably and properly incurred by the Council in monitoring compliance with the S106 Agreement and in assessing the details submitted to the Council for approval pursuant to the S106 Agreement.

For clarity, the figures shown in Appendix B are before any monitoring fee has been deducted by the Council.

In 2015 a case against Oxford County Council held that a monitoring fee was an administrative function of the Council and could not be sought by the County Council. The Court accepted that there may be occasions where monitoring fees could be sought, for example, on large scale developments where obligations are phased.

A schedule of Section 106 deposits held by the Council as at the 31 July 2018 was presented to Overview and Scrutiny Panel in September 2018 (Minute O&S.49/18 refers). It was agreed that a schedule of S106 deposits will be presented with each capital monitoring report at future meetings.

4. Options available and consideration of risk

This is considered on a project by project basis as part of the project appraisal document and initial business case for each capital project.

5. Proposed Way Forward

This is considered on a project by project basis.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		<p>Statutory powers are provided by the S1 Localism Act 2011 general power of competence.</p> <p>The capital programme is implemented in line with the Council's legal requirements, which are examined on a project-by-project basis. To date there are no undue legal concerns.</p> <p>Since there is commercially sensitive information in Appendix A, regarding the budgets for individual projects, there are grounds for the publication of these appendices to be restricted, and considered in exempt session. The public interest has been assessed and it is considered that the public interest will be better served by not disclosing the information in the appendix. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>
Financial		<p>The monitoring of the capital programme at month 6 (end of September 18) has not highlighted any significant areas of concern to report to Members. The anticipated level of expenditure is within the existing capital budget for each individual project (Appendix A).</p> <p>There was a remaining balance of £155,000 from the 2017/18 capital programme contingency budget, which has been carried forward to 2018/19. As part of this report it is recommended that £56,601 of the remaining 2017/18 capital programme contingency budget of £155,000 is approved to be allocated to the two capital projects set out in the report (in section 3) as shown below:</p> <ul style="list-style-type: none"> - Café, Cliff House Gardens, Salcombe £41,601

		<p>- Air Handling Unit, Council Chamber £15,000</p> <p>In addition there was a separate capital programme contingency budget of a further £150,000 for 2018/19 and none of this has been spent.</p> <p>If the recommendations in this report are approved, this would leave £248,399 remaining in the capital programme contingency budget.</p>
Risk		<p>There is a risk that the Capital Programme does not meet the Council's corporate priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities. The mitigation is that there is a project appraisal for each proposal. This is taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period.</p> <p>The Council demonstrates that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment. Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.</p> <p>There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity		This matter is assessed as part of each specific project.

Safeguarding		This matter is assessed as part of each specific project.
Community Safety, Crime and Disorder		This matter is assessed as part of each specific project.
Health, Safety and Wellbeing		This matter is assessed as part of each specific project.
Other implications		

Supporting Information

Appendices:

EXEMPT - Appendix A – Summary of the approved programme plus allocated budget

Appendix B – Summary of S106 Deposits

Background Papers:

Capital programme for 2018/19 - Council 22 February 2018

Capital programme for 2018/19 – Executive 1 February 2018 (62/17and E64/17 refer)

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted.	Yes