

NOT FOR PUBLICATION

This report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (applies to Appendix B)

Report to: **Executive**
Date: **7 February 2019**
Title: **Capital Budget Proposals for 2019/20**
Portfolio Area: **Budget Proposals – Cllr Tucker**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

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

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Recommendations:

The views of the Executive are sought on the following:

- 1.** The content of the Capital Programme Proposals for 2019/20, which total £1,290,000 (Appendix A)
- 2.** The content of the Capital Programme Proposals for 2019/20, which total £14,001,000 (Exempt Appendix B)
- 3.** The proposed financing of the 2019/20 Capital Programme of £15,291,000 from the funding sources set out in Section 4.

1. Executive summary

1.1 The report sets out the Capital Bids to the 2019/20 Capital Programme totalling £15,291,000 and a suggested way that these Bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.

1.2 The Council has limited resources, in the form of capital receipts, to fund Capital Projects in 2019/20.

Consideration needs to be given to the funding options for the 2019/20 Capital Programme. The Capital Programme is set by the Council and may be funded by sale proceeds from the disposal of assets (capital receipts), external grants and contributions, directly from revenue or from borrowing.

1.3 The Prudential Code for capital, which came into effect from 1st April 2004, replaced the previous Government regulated limits on capital expenditure and borrowing. In its place Councils now have the power to determine their own appropriate levels of capital expenditure and borrowing for capital purposes, based on the principles of affordability, prudence and sustainability.

1.4 The Code requires the Council, in setting its capital spending plans, to assess the impact on its revenue account and council tax levels. Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing mainly for commercial acquisitions) in 2019/20 to fund the bids which have been submitted by project officers within the Council.

2. Background

2.1 The capital programme for 2018/19 was approved by Council on 22 February 2017 (62/17 and E.46/17 refer).

2.2 A new Capital Programme is proposed for 2019/20. The Head of Finance Practice invited bids for capital funding from all service areas, for a new capital programme during July 2018 on the strict proviso that all bids must go towards meeting a strategic priority. All capital bids received would be ranked against a prescribed priority criteria set out in the bid process.

2.3 The submitted capital bids have now been assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending. A capital bid that will enable rationalised service delivery or improvement is also considered a Priority 2 category to meet the Council's aims and objectives.

2.4 The programme outlines the principles of the projects proposed for capital expenditure and includes an estimate of predicted costs including fees. All projects will be subject to project appraisals as required under the Council's Asset Strategy.

2.5 The capital budget proposals were considered by the Joint Development Management Committee and Overview and Scrutiny Panel on 24th January 2019 (minute OSDM.5/18 refers). It was recommended that the Joint Meeting **RECOMMEND** that the Executive **RECOMMEND** to Council that:-

1. the content of the Capital Programme Proposals for 2019/20 that totals £1,290,000 (as set out in Appendix A of the presented agenda report) be supported;

2. the content of the Capital Programme Proposals for 2019/20 that totals £14,001,000 (as set out in exempt Appendix B of the presented agenda report) be supported; and

3. the proposed financing of the 2019/20 Capital Programme of £15,291,000 from the funding sources (as set out in Section 4 of the presented agenda report) be supported.

2.6 This capital budget proposals report for 2019/20 has the same content as the capital budget proposals report considered by the Joint Development Management Committee and Overview and Scrutiny Panel with the exception of a change to the proposed funding for the Batson Harbour Workshops.

2.7 Following consultation with the Harbour Board, a report setting out the recommendations of the Harbour Board was considered on the 28th January 2019 and it was proposed and agreed to reduce the Harbour Authority's exposure to the revenue strain by capping the borrowing at £800,000 (this was previously £1m). Any additional project spend up to the budget of £1m is now recommended to be funded by the Marine Infrastructure Reserve (£200,000).

3. Outcomes/outputs

Members are requested to give their views on the proposals for the Capital Programme for 2019/20. Appendix A and exempt Appendix B set out the bids which total £15,291,000.

3.1 Capital Programme 2019/20

3.2 Play Parks – replacement of play equipment

Due to slippage in the 2017/18 budget nothing was approved for 2018/19. Spend of these funds was set back a year while options for asset transfers of play parks were discussed with Town and Parish Councils.

The capital budget of £190,000 is required in 2019/20 with tenders being sought for play parks work early in 2019. A priority and outline investment list of just under 30 play areas has been agreed by the Public Spaces Working Group. A detailed list of play parks will be distributed to all Members in advance of the Executive meeting.

2019/20 will now be year 2 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

3.3 Follaton House – roof repairs

The proposed capital programme includes a contribution of £50,000 per annum into a reserve for Follaton House roof repairs. Roofing repairs are required on the Old House which includes the localised replacement of defective slate and lead valleys. Defective guttering on Phases 1, 2 and 3 also needs replacing.

3.4 Coastal Assets repairs - 5 year planned programme

The financial year 2019/20 is the fifth year (of a 5 year programme) of an allocation of £300,000 per annum for the planned programme for Coastal Assets repairs.

3.5 Private Sector Renewals (including Disabled Facilities Grants)

This budget is used to fund Private Sector Renewals, primarily Disabled Facilities Grants (DFG's). DFG's are mandatory, means tested and enable people to live independently within their own home. Adaptations range from simple stair lifts and Level Access Showers through to full extensions.

The term 'Private Sector Renewals' are loan and grant funded initiatives that relate to the private sector and not to registered social landlords. The increase in the number of Disabled Facilities Grants applications alongside a reduction in renovation and minor works grants has meant that private sector renewal grants has decreased.

The Regulatory Reform Order policy sets out the various grant funding and loans that the Council currently offers:

<https://mg.southhams.gov.uk/documents/s17191/Appendix%20-%20DFGRRO%20policy.pdf>

When an application is received for a DFG, or a housing inspection reveals disrepair or financial hardship, the health and wellbeing board that comprises Officers from different disciplines meets to consider the best long term housing options for the client.

The budget of £700,000 will be funded from the Better Care Fund (Government Grant). The demand for DFG's is not under our control and cannot be predicted at this stage.

3.6 Follaton House – Replacement Lifts

The proposed capital programme includes a contribution of £30,000 per annum into a reserve for replacing lifts at Follaton House.

There are two lifts which are maintained under contract and regularly serviced. They are increasingly requiring repair and lift engineers have advised that parts are becoming increasingly obsolete. Replacements will be required in the next few years.

3.7 Depot Improvements

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Council resolved to approve borrowing for the capital costs of depot improvements.

3.8 Waste Fleet Replacement

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Council resolved to approve an increase of £60,000 in the contribution to the Vehicle Earmarked Reserve in 2019/20 (C.41/18 refers). This increases the contribution per year from £490,000 to £550,000.

3.9 Ermington New Units

A capital budget for the provision of new units at Ermington was approved in 2018/19 with a proposal for additional funds in 2019/20. Tenders have been received and work is due to commence during 2019.

3.10 Improvement of the existing units at Ermington

A capital budget was approved for improvements to existing units at Ermington in the 2018/19 capital budget with a proposal for additional funds in the 2019/20 capital budget.

The architect is midway through the commission to ascertain the best solution for the upper floors of the Mill building. 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 February 2019. The tender process would then follow, with works anticipated in September.

3.11 New Sub Lift at Salcombe

The 2018/19 capital budget included a contribution into a reserve towards the purchase of a new sub lift. The proposed capital programme includes a further contribution in 2019/20 as well as a proposal for a contribution in 2020/21.

3.12 New Entrance, Batson Creek Car Park

A capital budget is required to deliver ancillary car park upgrades to Batson Creek Car Park. This relates to alteration of the car park entrance and spaces layout such that any development within the car park footprint does not result in any loss of capacity. There will also be a requirement to create space for the recycling facilities at Batson through the creation of a hard standing area adjacent to the existing site. This is linked to the construction of the Employment Units and the Trailer Park.

3.13 Car Park Resurfacing

Officers have identified a number of car parks across the District which are in need of resurfacing. The proposed capital budget includes a provision for this purpose.

3.14 South Devon Tennis Centre, Ivybridge

Under the existing lease, the Council is required to fund works to replace the tennis courts at the South Devon Tennis Centre in Ivybridge. This was last carried out 10 years ago and a LTA Court Inspection has now highlighted the need to carry out such works in 2019. A proposal has been put forward for the 2019/20 capital programme.

3.15 Commercial Development Opportunities

Details of commercial development opportunities within the district are included in exempt Appendix B. A Report and Briefing Note presented to Executive on 13th December gave more information (E.62/18 refers).

3.16 Affordable Housing

No further capital budget has been requested for 2019/20 to support affordable housing due to the previous year's budgets being sufficient to finance the current schemes which are being progressed. The breakdown of money available through s106 contributions, second homes monies and the community housing fund (£1.88m received in 2016/17) means that further sums are not requested at this time.

Should additional schemes materialise, that aren't currently known about by officers, and which would require additional finance, a report will be brought back to Members during the year to request funding on a case by case basis.

3.17 Contingency

It is proposed that a contingency budget of £50,000 be included in the capital programme. This has been included to allow for variations on tendered prices to the estimates provided in the programme, where emergency works are required on assets not currently included in the programme or where additional external resources are required to deliver the programme. Use of this contingency budget will be subject to the Council's existing processes for the expenditure of capital funds.

4 FINANCING THE CAPITAL PROGRAMME

4.1 Capital bids shown in Appendix A total £1,290,000 with the total of bids in exempt Appendix B being £14,001,000. Funding of £15,291,000 is therefore required. The table below shows the recommended way that these projects are financed:-

Capital Programme 2019/20 <i>Appendix A (£1,290,000) and Appendix B bids (£14,001,000)</i>	£ 15,291,000
Funded By:	
Capital Programme Reserve (See Note 1 below – this includes the 19/20 allocation of £181,600 plus previous funds unallocated)	220,000
Community Parks & Open Spaces Reserve (South Devon Tennis Centre)	65,000
Vehicle & Plant Renewals Reserve*	550,000
Business Rate Retention Reserve	1,500,000
Marine Infrastructure Reserve (for Batson Harbour Workshops)	200,000
Capital Receipts	960,000
Better Care Grant funding towards Disabled Facilities Grants (estimated)	700,000
New Homes Bonus	690,000
Borrowing – Waste and Cleansing Procurement*	740,000
Borrowing – development opportunities (this is a proportion of the total PWLB borrowing for the projects shown within the South Hams Commercial Developments report and relates to the capital expenditure in the 19/20 year only)	9,666,000
TOTAL	15,291,000

* This funding has already been approved by Council on 6th December 2018 as part of the report on Frontline Services (Waste and Cleansing Procurement)

Note 1 – The current proposed funding of the Capital Programme includes the Council continuing to make a revenue contribution to the Capital Programme Reserve in 2019/20 of £181,600.

5. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>The Executive is responsible for control of the Council's capital expenditure. The Head of Finance and Assets Practices are responsible for providing Capital Monitoring reports to the Executive, detailing the latest position of the Council's Capital Programme. Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.</p> <p>Since there is commercially sensitive information in Appendix B, regarding the budgets for individual projects, there are grounds for the publication of this Appendix to be restricted, and considered in exempt session.</p> <p>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	Y	<p>The report sets out the Capital Bids to the 2019/20 Capital Programme totalling £15,291,000 and a suggested way that these bids can be funded. All items in this proposed Capital Programme are based on budget estimates and will be subject to the normal project appraisal procedures.</p> <p>Section 4 demonstrates that there are sufficient capital funds (which includes PWLB borrowing mainly for commercial acquisitions) in 2019/20 to fund the bids which have been submitted by project officers within the Council.</p>

Risk	Y	<p>There is a risk that the Capital Programme does not meet the Council's strategic 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.</p> <p>This is taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period. The Council demonstrates that capital investment contributes to strategic 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		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Summary of Capital Bids for 2019/2020

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2019/2020 (table)

Background papers

Capital Programme for 2018/19 - Council 22 February 2018 (62/17 and E.46/17 refer).

Commercial Development Opportunities – Executive 13 December 2018 (E.61/18 refers).

Approval and clearance of report

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. (Committee/Scrutiny)	N/A