

**NOT FOR PUBLICATION**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 Appendices B, C, D and E)

Report to: **Executive**

Date: **2 February 2017**

Title: **Capital Budget Proposals for 2017/18 to 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:**

That the Executive RECOMMEND to Council:

- 1.** To approve the Capital Programme Proposals for 2017/18, which total £1,485,000 (Appendix A)
- 2.** To approve the Capital Programme Proposals for 2017/18, which total £930,000 (Exempt Appendix B)
- 3.** To remove the 2016/17 capital projects from the capital programme, as detailed in Appendix D, following the budget scouring exercise

- 4.** To use the remaining capital programme contingency from the 2015/16 and 2016/17 programmes, totalling £167,000, to meet the increased costs detailed in exempt Appendix D
- 5.** To finance the 2017/18 capital programme of £2,415,000 from the funding sources set out in Section 4.

## **1. Executive summary**

- 1.1** The report sets out the Capital Bids to the 2017/18 Capital Programme totalling £2,415,000 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 severely limited resources, in the form of capital receipts, to fund Capital Projects in 2017/18.

Consideration needs to be given to the funding options for the 2017/18 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 1<sup>st</sup> 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. The Council is currently debt-free and has not undertaken any prudential borrowing for capital projects to date.
- 1.5** Section 4 demonstrates that there are sufficient capital funds in 2017/18 to fund the bids which have been submitted by project officers within the Council.

## **2. Background**

- 2.1** The capital programme for 2016/17 was approved by Council on 11 February 2016 (61/15 and E59/15 refer).
- 2.2** A new Capital Programme is proposed for 2017/18. The Finance Community of Practice Lead invited bids for capital funding from all service areas, for a new capital programme during October 2016 on the strict proviso that all bids must go towards meeting a corporate 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 I categories include meeting corporate 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** On 19 January 2017, a meeting was held of the Joint Development Management Committee and the Overview and Scrutiny Panel to consider the Budget Proposals for 2017/18. The following recommendations were made regarding the Capital Budget Proposals:-

### **Capital Budget Proposals for 2017/18 to 2019/20**

That the Executive **RECOMMEND** to Council that:-

1. the Capital Programme project proposals for 2017/18 (as outlined at Appendix A) be approved;
2. the Capital Programme project proposals for 2017/18 (as outlined at Exempt Appendix B) be approved, subject to the removal of the Council Chamber refurbishment project at Follaton House, Totnes;

3. following the Budget Scouring exercise, the capital projects for 2016/17 (as detailed in exempt Appendix D) be removed from the Capital Programme;
4. the remaining capital programme contingency monies from the 2015/16 and 2016/17 programmes (totalling £167,000) be used to meet the increased costs detailed in exempt Appendix D;
5. the 2017/18 Capital Programme of £2,525,000 (less the £110,000 for the Council Chamber refurbishment) be financed from the funding sources that are set out in Section 4 of the presented agenda report.

### **3. Outcomes/outputs**

Members are requested to note the proposals for the Capital Programme for 2017/18. Appendix A and exempt Appendix B set out the bids which total £2,415,000.

#### **3.1 Capital Investment in Existing Property Assets**

##### **3.1.1 Improvements to Play Parks**

The Play Spaces Working Group met on 6<sup>th</sup> October, 2016 and proposed to bid for capital funding for investment in replacement play equipment.

A sum of £520,000 is sought over 3 financial years (2017/18 to 2019/20) for play parks across the South Hams.

There are around 26 SHDC owned play areas which did not benefit from capital investment during the 2008-2012 public space programme. These play areas are generally smaller play areas, and almost in their entirety the equipment within these play areas are reaching the end of their economically viable life. The equipment being rated as requiring removal or replacement within the annual engineering inspection reports on grounds of health and safety (e.g. due to corrosion of equipment).

These play spaces have also scored poorly with respect to quality in the recent play audit undertaken to support the Joint Local Plan evidence base. It is proposed to undertake a critical review of all of these spaces, weighing up community support and need for the spaces, the case for continued investment, and the potential alternative uses of some of the play spaces.

The figure of £520,000 comprises an allowance of £20,000 per play area, however it is not anticipated that all 26 play areas will continue to act as play spaces, and the spread of funding is likely to vary according to size of the play area, type of investment and potential for drawing in match funds. Consultation with Members, officers, Town and Parish Councils, and the community will be undertaken with respect to the case for investment/future of these spaces. Where investment is undertaken, it is anticipated that the capital funds will be used to lever in additional funding including s106 developer funds. It is also hoped that the capital investment may act as encouragement to facilitate transfer of some of play areas (e.g. to Town and Parish Councils) particularly where the investment might be used to draw in other external funding sources (to which the District Council cannot apply).

### **3.1.2 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.

Green Transport Plan - Proposal to install an electric car charging point in Follaton Car Park. A budget of £15,000 has been included. Power would be taken from the mains connection at Follaton, which when it is sunny, would draw from the existing solar panels, creating a “green circuit”.

### **3.2 Affordable Housing**

An annual contribution of £230,000 per annum is proposed for affordable housing. Projects in the pipeline for 2017/18 include:

- Rural affordable schemes such as those delivered under the Village Housing Initiative.
- £190,000 to support Transition Homes Totnes – Community Land Trust
- Developing shared housing for young people – aged under 35 years.
- Making better use of the existing housing stock – Tenants Incentive scheme – to encourage downsizing
- Supporting community led housing projects, including self build

### **3.3 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 budget of £700,000 will be made up of £613,000 from the Better Care Fund and a Council contribution of £87,000. The demand for DFG's is not under our control and cannot be predicted at this stage.

### **3.4 Contingency**

It is proposed that an annual contingency budget of £300,000 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.

### **3.5 Capital Programme allocation of contingency from the 2015/16 and 2016/17 capital programmes**

There is remaining contingency from the 2015/16 and 2016/17 programmes, totalling £167,000. It is recommended that this is allocated to meet the expenditure identified in Appendix D.

## **BUDGET SCOURING**

**3.6** The results of the Budget Scouring exercise are shown in Appendix D

#### 4 FINANCING THE CAPITAL PROGRAMME

4.1 Capital bids shown in Appendix A total £1,485,000 with the total of bids in exempt Appendix B being £930,000. Funding of £2,415,000 is therefore required. The table below shows the recommended way that these projects are financed:-

<b>Capital Programme 2017/18 (Appendix A &amp; B bids)</b>	<b>£'000</b>
Capital Programme Reserve	418
Capital Receipts	582
Better Care Grant funding towards Disabled Facilities Grants (estimated)	613
New Homes Bonus – for housing projects (£230,000), private sector renewal grants (£87,000) and play parks (£190,000)	507
Capital funding from schemes no longer required as identified in Appendix D	295
<b>TOTAL</b>	<b>2,415</b>

#### 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 Community of Practice Leads for Finance and Assets 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>As set out in Part 3 of the Delegation Scheme (Section 4.12.1) the Executive will manage all the Council's land and property. In accordance with the Financial Procedure Rules, the disposal of any land and building over £50,000 in value requires the prior approval of the Executive and shall be made within the context of the Council's asset management plan.</p>

		<p>Since there is commercially sensitive information in Appendices B,C,D and E, regarding the budgets for individual projects, there are grounds for the publication of these appendices 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 appendices. 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 2017/18 Capital Programme totalling £2,415,000 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 in 2017/18 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 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.</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 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</p>

		pressures enables Members to control the programme and secure appropriate mitigation where problems arise.  There is regular quarterly monitoring of the Capital Programme to Members where any cost overruns are identified at an early stage
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 2017/2018

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2017/2018 (table)

EXEMPT – Appendix C - Details of exempt Capital Bids for 2017/2018 (narrative)

EXEMPT - Appendix D – Capital Programme allocation of Contingency from 2015/16 and 2016/17 capital programmes and results of the Budget Scouring exercise

EXEMPT - Appendix E – Summary of the approved programme plus allocated budget (Appendix A from Capital Monitoring Report - Executive 20.10.16)

### **Approval and clearance of report**

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