

Report to: **Executive**
Date: **4 February 2016**
Title: **Capital Budget Proposals for 2016/17**
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 Executive resolves to recommend to Council:

- i) To approve the Capital Programme Proposals for 2016/17 totalling £1,765,000 as per Appendix A
- ii) That the views of the Overview and Scrutiny Panel on the Capital Budget Proposals are endorsed, namely that an Options Appraisal is required with Member involvement for the Follaton House boilers (see 3.1.2) and that any allocation of Locality vehicles (see 3.2) should be after the March 2016 Overview and Scrutiny Panel review of the Locality role
- iii) To finance the Capital Programme of £1,765,000 by using:-
 - £635,000 from the Capital Programme Earmarked Reserve
 - £300,000 from Capital Receipts
 - £366,000 from Better Care Funding towards Disabled Facilities Grants and
 - £464,000 from New Homes Bonus funding

1. Executive summary

1.1 The report sets out the Capital Bids to the 2016/17 Capital Programme totalling £1,765,000 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 2016/17.

Consideration needs to be given to the funding options for the 2016/17 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. 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 2016/17 to fund the bids which have been submitted by project officers within the Council.

2. Background

2.1 The capital programme for 2015/16 was approved by Council on 12 February 2015 (66/14 and E57/14 refer).

2.2 A new Capital Programme is proposed for 2016/17. The Finance Community of Practice Lead invited bids for capital funding from all service areas, for a new capital programme during October 2015 on the strict proviso that all bids must go towards meeting a corporate priority.

All property 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.

3. Outcomes/outputs

Members are requested to note the proposals for the Capital Programme for 2016/17. Appendix A sets out the bids which total £1,765,000.

3.1 Capital Investment in Existing Property Assets

3.1.1 Batson Boat Park, Salcombe

There is a requirement to resurface the boat park at Batson for £50,000.

3.1.2 Follaton House

Various essential schemes are required at Follaton House in order to comply with statutory obligations and demonstrate good asset management:

- The lifts in both Phase 1 and Phase 2 of the building are in need of refurbishment at a cost of £20,000 each.
- Upgrading of the electrical distribution boards is required, again at a cost of £20,000.
- The existing boilers at Follaton are becoming increasingly difficult to maintain and keep operational. There is a proposal to install two new energy efficient boilers which will be more dependable and cost effective to run. The replacement cost will be £100,000.

The Council's Draft Capital Proposals for 2016/17 were considered at a meeting of the Overview and Scrutiny Panel on 14 January 2016. At this meeting it was agreed that an Options Appraisal is required with Member involvement for the Follaton House boilers. In particular Councillor Wingate and Councillor Barnes are to be involved in the way forward for the boilers and this work is to be built into the Commercial Services workplan.

A further scheme meets the Council's asset objectives as well as providing an opportunity to generate income:

Provision of an external platform lift to link to the Council Chamber would provide access to the first floor office accommodation. This will improve accessibility and potential for letting. The scheme would cost £75,000. The anticipated income from letting this space would be £40,000 annually, with a payback period on the initial investment of 2 years.

3.1.3 Coastal Asset Repairs

Historically maintenance of coastal assets has been on a reactive basis. At a time of ever increasing frequency and severity of storms, a rolling plan of maintenance is required to reduce the risk of asset failure. This would retain the current level of coast protection for all SHDC owned coastal protection assets, and those which are the responsibility of SHDC to maintain, irrelevant of ownership.

On 13 November 2014, the Economy and Environment Scrutiny Panel considered a report on managing coastal change and assets. An extract of the report is below:

SHDC owned Coastal Assets Review As has been reported previously SHDC owns over 130 assets along the coast and estuaries. These have been subject to ongoing management over the decades and more recently been subject to a comprehensive assessment of condition. The initial analysis reveals an estimated expenditure pressure as set out in the table below

Years	2015 - 2019	2020 - 2024	2025 - 2029	2030 - 2034
Estimated Expenditure	£1.5m	£2.5m	£631,000	£941,000

Subsequently a five year planned programme of coastal repairs was approved in the Capital Budget Proposals for 2015/16. 2016/17 will be the second year of this programme and £300,000 is therefore included in the capital proposals.

3.2 Vehicle Replacement

Whilst the locality model was in design as part of the transformation programme a definitive travel solution for officers was not agreed. Since 'go-live' in June the service has been running with 10 fleet vehicles which were available either through vacant posts, which have now been recruited to, or through a reduction in fleet usage/spare vehicles. As a result we are now able to identify a need for 4 vehicles to cover both our front line services and service the locality team needs. These are for the South Hams area only. The cost of these vehicles is estimated to be £50,000. The vehicles are for the operational locality officers.

The use of capital fleet for coverage of locality work will provide a longer term cost saving against individual travel claims which would have been attributable to a wide range of officers working within all of the previous service departments on a casual/essential user basis in the past. There is, therefore, a revenue benefit to this capital spend. Capital investment also allows for us to brand vehicles as we require in future so they are easily identifiable to our customers.

The Council's Draft Capital Proposals for 2016/17 were considered at a meeting of the Overview and Scrutiny Panel on 14 January 2016. At this meeting it was stated that there would be a review of the Locality role at the March Overview and Scrutiny Panel meeting and therefore any allocation of vehicles should be after this time.

3.3 Affordable Housing

An annual contribution of £230,000 per annum is proposed for affordable housing.

The Affordable Housing £230,000 contribution for 2016/17 will be used to invest in various affordable housing schemes across the district. These will include:

- Rural affordable schemes such as those delivered under our Village Housing Initiative.
- Bringing empty properties back into use as affordable homes – district wide.
- Developing shared housing for young people – aged under 35 years.
- Making better use of the existing housing stock – Tenants Incentive scheme – to encourage downsizing
- Addressing the need for Gypsy and Traveller housing
- Supporting community led housing projects, including self build.

3.4 Improvement Grants (Disabled Facilities Grants)

All grants 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. A budget of £600,000 per annum for three years was approved in the Capital Budget Proposals for 2015/16. This is the second year of that approval.

In the Spending Review 2015 announcement, the Chancellor announced that there would be an extra £500m for Disabled Facilities Grants, to fund up to 85,000 housing adaptations per annum. The Council receives its Disabled Facilities Grant allocation from the Better Care Fund which is administered by Devon County Council (DCC). The Council has currently assumed that its allocation from the Better Care Fund for 2016/17 will be of the same value as that of 2015/16 (£366,000). DCC have confirmed that this is a valid assumption for 2016/17. The remaining balance of £234,000 is proposed to be funded from the New Homes Bonus.

3.5 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.

4 FINANCING THE CAPITAL PROGRAMME

4.1 A summary of the Capital Bids received for 2016/17 is shown in Appendix A. The table below shows the recommended way that these projects are financed:-

Capital Programme 2016/17 (Appendix A bids)	£'000
Capital Programme Reserve (£740,000 available)	635
Capital Receipts	300
Better Care Grant funding towards Disabled Facilities Grants (estimated)	366
New Homes Bonus – for housing projects and disabled facilities grants	464
TOTAL	1,765

5. IMPLICATIONS

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	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.

		<p>Regular monitoring of the programme will enable progress to be checked and where slippage is occurring, or projects cannot be progressed, other projects which subsequently emerge could be considered as potential replacement projects.</p> <p>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>
Financial	Y	<p>The report sets out the Capital Bids to the 2016/17 Capital Programme totalling £1,765,000 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 2016/17 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. 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		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.

Background Information

Executive 10 December 2015 – Capital Programme Proposals for 2016/17 and Minutes of the Overview and Scrutiny Panel meeting on 14 January 2016

Supporting Information

Appendix A – Summary of Capital Bids for 2016/2017

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