

NOT FOR PUBLICATION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 A)

Report to: **Executive**
Date: **7th December 2017**
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**

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Recommendations:

1. That the Executive endorses the Monitoring Report.

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 7 (end of October 17) 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).

The contingency budget for the 2017/18 capital programme is £300,000 and none of this has been spent in 2017/18 leaving all of the contingency still available.

2. Background

The capital programme for 2017/18 was approved by Council on 9 February 2017 (66/16 and E.55/16 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 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 2016/2017 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 now is in early discussion with the land owner (LEPL) to agree the form and location of these starter units. The s106 also provides for LEPL to procure land for the starter unit development, either on land surrounding the Energy Park or elsewhere within the South Hams.

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. LEPL are active in sourcing interest in the land and hope to bring forward development proposals within the next 12 months. 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.

Café, Cliff House Gardens, Salcombe

The structural repair identified at Cliff House Gardens for the proposed café is now 90% complete. The concession to run the café has now been tendered and it is expected that it will be open for summer 2018.

In-Cab technology

A budget of £110,000 was approved for in-cab technology, the spend to date is £109,901.

Recycling service –wheeled bins

A budget of £70,000 was approved for the provision of new wheeled bins, to date expenditure is £63,152.

Leisure Centres – Contingency for Major Repairs

Repairs are required to the seating area on the mezzanine floor at Quayside Leisure Centre. Expenditure will be met from the contingency for major repairs budget of £150,000.

Redevelopment of five employment units, Burke Road, Totnes

The scheme is now well underway and on programme for letting in January/February 2018. Approximately 2/3 of the budget has been spent to date.

Starter Units, Admiral Court, Dartmouth

Construction is on programme and the structure has now been cladded. Units should be ready to let in January/February 2018. Just under 60% of the budget has been spent to date.

Leisure Investment

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

Dartmouth – work has already commenced to link the buildings together and will be completed in late November with a formal re-launch planned for January 2018.

Ivybridge – a planning application was submitted in September and the final design is nearing completion for the provision of a new 6 lane pool with a retractable roof. Works are anticipated to start in early 2018 with some disruption to existing facilities during refurbishment phase. The new pool construction will commence in Feb/March 2018 with a 12–14 month build programme. Works are expected to be completed by spring 2019.

Kingsbridge, Quayside – the final design has been completed to extend the gym and provide new soft play area. Refurbishment proposals for the existing dry side changing is being agreed with the school. The main works are set to commence in early 2018 with completion for summer 2018. The works to the poolside structural repairs are being managed by Fusion and are planned to start at the end of this year.

Totnes – proposal discussions by Tadpool and Fusion have now taken place around potential investment and facility improvements. A consultation and design development works are currently taking place.

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.

Officers will make recommendations in January 2018 on the strategy for internal borrowing and external borrowing for the Leisure Investment. A council is not able to borrow in advance of need and borrowing will be undertaken on review of the Council's whole Capital Financing Requirement.

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

Capital Programme 2017/18

Play Parks – replacement of play equipment

Spend of these funds has been set back a year while options for asset transfers of play parks are discussed with Town and Parish Councils, these being the priority for use of the capital funds. Further consultation is needed before funds are spent, and whilst there will be some more straightforward projects that can be completed in the first year, it is anticipated that the majority of projects will be realised towards the end of the 3 years of funding.

There is no budget required in 2018/19 due to slippage on the 2017/18 budget and this will be carried forward to 2018/19. 2017/18 is 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

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.

Installation of the electric charging points at Follaton House is now complete. There is likely to be an under spend of around £8,000 on this scheme once the contractor has been paid.

Coastal Assets

Although the analysis of the coastal budget expenditure shows an underspend in 15/16 and 16/17 totalling over £300k this is primarily due to the asset team being able to secure 220k of funding from the Environment Agency to help finance the engineering works undertaken at Beesands. 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 at Kingsbridge. These works will utilise the remaining 17/18 budget as well as any residual underspend from the previous financial years. See note in Exempt Appendix A.

Salcombe Harbour – replacement of toilets/showers and harbour office

Initial design work is now complete and the detailed design phase is due to start. Proposals have been discussed with local members, the Harbour board and Tourist Information Centre.

Market Square, Totnes – renew surface

The cobble effect surfacing in the market square has started to break up and repairs are becoming uneconomical. The surface needs to be vehicle and market compatible as well as providing compliance with the Disabled Discrimination Act for a public space (i.e. no trip hazards). It is a large area and the capital budget reflects this. See Exempt Appendix A for potential partnership opportunities.

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. See Exempt Appendix A for potential partnership opportunities.

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

The budget for Private Sector Renewals Grants in 2017/18 is £700,000. The budget brought forward from 2016/17 is £247,000 giving a total of £947,000 available in 2017/18.

Expenditure to the end of October was £301,097 with a further £99,000 committed. There are Statements of Need being progressed which total another £202,000.

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.

Unlike previous years when the Council regularly had to contribute its own capital to fund DFGs, it is predicted that this year all

expenditure will be funded by the Better Care Fund (BCF) allocation. It is not possible at this stage to determine whether any of the BCF allocation will need to be returned to the Joint Clinical Commissioning Group (JCCG) if it is not spent within the financial year. Last year, funds that were nominally committed to Statements of Need that had been received by the Council were carried over.

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 being able to repay loans granted. £50,000 has been paid to two community groups.
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.
Existing Stock/Sustainability	£100,000	To reduce empty homes and make best use of the existing housing stock.
Homeless/Specialist Housing	£50,000	To enable the provision of specialist accommodation as required. Funding will be allocated as need arises.

Vehicle Fleet Replacement

Following a report to the Executive on 20th October 2016 a budget of £687,000 was approved for Vehicle Fleet Replacement in 2017/18. Expenditure to date is £81,000 with further commitments of £102,000.

The spend on vehicles for 2017/2018 was delayed following the departure of the Operational Services Manager earlier in the year. The outstanding purchases are now to be commenced by the Transport Manager and relate to refuse collection vehicles which are purchased through national frameworks. The larger fleet items will be received in 2018/2019 so the remaining capital allocation for 2017/2018 will be rolled forward.

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 March 2017 was presented to Overview and Scrutiny Panel in July 2017 (Minute O&S.16/17 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 Appendices 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 7 (end of October 17) 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>The contingency budget for the 2017/18 capital programme is £300,000 and none of this has been spent in 2017/18 leaving all of the contingency still available.</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 2017/18 - Council 9 February 2017

Capital programme for 2017/18 – Executive 9 February 2017 (66/16 and E55/16 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