

NOT FOR PUBLICATION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 December 2017**
Title: **Capital Budget Proposals for 2018/19**
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 request the views of the Overview and Scrutiny Panel on the following:

- 1.** To approve the Capital Programme Proposals for 2018/19, which total £1,200,000 (Appendix A)
- 2.** To approve the Capital Programme Proposals for 2018/19, which total £1,355,000 (Exempt Appendix B)
- 3.** To finance the 2018/19 Capital Programme of £2,555,000 from the funding sources set out in Section 4.

1. Executive summary

1.1 The report sets out the Capital Bids to the 2018/19 Capital Programme totalling £2,555,000 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 2018/19.

Consideration needs to be given to the funding options for the 2018/19 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 in 2018/19 to fund the bids which have been submitted by project officers within the Council.

1.5 The Council's Capital Programme is linked to the Council's Revenue Budget Proposals for 2018/19 and this is also an item on this Executive agenda. Where revenue budget proposals have a capital investment implication, the capital investment has been built into this report. Similarly if there are any revenue implications of capital projects, this has been built in.

2. Background

2.1 The capital programme for 2017/18 was approved by Council on 9 February 2017 (66/16 and E.55/16 refer).

- 2.2** A new Capital Programme is proposed for 2018/19. The Finance Community of Practice Lead invited bids for capital funding from all service areas, for a new capital programme during October 2017 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.

3. Outcomes/outputs

Members are requested to give their views on the proposals for the Capital Programme for 2018/19. Appendix A and exempt Appendix B set out the bids which total £2,555,000.

3.1 Capital Investment in Existing Property Assets

3.2 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 capital 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

3.3 Follaton House – roof repairs

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 2018/19 would be the fourth year (of a 5 year programme) of an allocation of £300,000 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 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 Whitestrand HM Office

Preliminary design work has been undertaken and this has been costed by a Quantity Surveyor (QS). The current layout, incorporates public toilets, shower facilities for yachtspeople, space for a front of house for HM, police and potentially TIC.

The QS costing means that an additional budget is required for 2018/19 (Details are in Appendix B).

More recent conversations with the TIC and Harbour Board have raised the issue that the footprint that is currently proposed may be inadequate. An increased footprint would lead to increased building costs. The project officer's view is that the project should be able to be delivered at slightly more favourable rates to that currently estimated. Therefore an increase in the budget is requested, to deliver a building that incorporates all the project objectives as above.

3.7 Follaton House - new air handling unit for the Council Chamber

This capital bid is for repairing/replacing the air handling unit, which has been assessed by a mechanical engineer. The objective is to improve the heating / ventilation balance and provide a better environment.

3.8 Waste - Depot Strategy

It is recommended that this project is scheduled for 2019/20 as it can then be considered as part of the waste commissioning piece.

3.9 Ermington New Units

The Council has just taken ownership of a piece of commercial land adjacent to its holdings in Ermington. As part of that negotiation, a capital receipt has also been received (specific to this project). The planning permission for the overall site (a Barratt Homes development) envisages commercial buildings on the land and there is demand for such in the locality.

In accordance with the Council's asset strategy to support businesses and the economy within South Hams, it is proposed to develop approx. 400m² of new units at 80m² to complement the Council's range of 30 – 50m² units already constructed. The estimated construction cost gives a yield in excess of 5%.

3.10 – Improvement of the existing units at Ermington

There is a current estates project reviewing the Council's existing stock at Ermington Mill and Ermington Workshops. They are very popular and let well, however, it is imperative that the estate remains in a good state of repair and condition, and in an efficient layout.

Building on the Council's roof replacement project two years ago, this project would review the internal layout of the Mill area, ensuring that the space is best apportioned, access is as good as it can be and facilities brought up to a higher standard (some units do not have toilets for example). There will also be other aspects of the project that will look at the existing use of the Mill basement and the top floor, neither of which are let. This project is about ensuring the efficient, safe and compliant operation of our existing assets.

3.11 Develop Beach Huts at North and South Sands

This is a concept of installing beach huts at North Sands and South Sands. The huts would be rented out for the week during the summer (anticipated rental income from 19/20 onwards). It is felt that this would add to the appeal and ambiance of these two popular beaches. The costing exercise has been based on "premium" beach huts which would seem appropriate for the setting. Life expectancy of the huts would be 15 years. This is currently a concept and it would require planning permission and a capital investment which is estimated to be re-couped by year 3.

3.12 Salcombe Master Plan (Batson Quay)

The current master plan project will be reporting in 2018. This involves all stakeholders to appraise the best use of the Batson Quay and adjacent areas, in terms of commercial activity, fishing, car parking, boat storage and affordable housing. Whilst the capital costs of the proposals will be subject to a separate report, funds are sought to be allocated to the capital programme, such that a more detailed phase of design and investigation can follow on from the initial masterplan, assuming Members wish to proceed.

3.13 Kingsbridge – new roofs at the Garden Mill employment units

This capital project is a bid to the 2018/19 Capital Programme Budget.

3.14 Public Conveniences pay on entry

To install pay on entry on the following Public Conveniences - Bigbury, Whitestrand, Creek (Salcombe), North Sands, South Sands, Coronation Road, Steamer Quay, Civic Hall, Fore Street, Slapton Line, Glanville's Mill, Wembury, Dittisham. This would require a capital outlay and would generate income of £16,000 in 18/19 and £36,000 by 19/20 onwards.

3.15 Lower Ferry Delivery Models

The vessels and other infrastructure of the ferry are aging and require to be replaced (3-5 years). This capital bid will fund a review of costed business models to develop options to bring to the Council for the future procurement of vessels.

3.16 New Sub Lift at Salcombe

The current machine is seven years old and has a maximum reasonable life of 10 years. About 150 boats a year are lifted. It is recommended to start putting a capital budget aside for a new sub lift.

3.17 Affordable Housing

No capital budget has been requested for 2018/19, to support affordable housing. The breakdown of money available through s106 contributions, second homes monies and the community housing fund means that further sums are not requested at this time.

Officers would like to caveat this on the proviso that should unplanned, additional schemes require finance from the Capital Programme, that Members would consider this on a case by case basis at a future date. Within the affordable housing budget it is proposed to spend the money within the previously agreed headings of:

Scheme	Budget	Narrative
Community Led Housing	£0	Money provided through CHF funding
Rural Affordable Housing	£400,000	To be apportioned to schemes where commuted sums are not able to be utilised
Older Persons Housing	£0	Paid to Riverside Extra Care in 2015/16. Completion imminent and further schemes are not currently forthcoming.
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.

3.18 Contingency

It is proposed that an annual contingency budget of £150,000 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 £1,200,000 with the total of bids in exempt Appendix B being £1,355,000. Funding of £2,555,000 is therefore required. The table below shows the recommended way that these projects are financed:-

Capital Programme 2018/19 <i>Appendix A (£1,200,000) and Appendix B bids (£1,355,000)</i>	£ 2,555,000
Funded By:	
Capital Programme Reserve (See Note 1 below)	326,300
Current capital receipts	481,000
Anticipated future capital receipts	630,000
Better Care Grant funding towards Disabled Facilities Grants (estimated)	700,000
New Homes Bonus	417,700
TOTAL	2,555,000

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 2018/19 of £181,600. This was an item discussed at the Members' Budget Workshop. Due to the capital projects which are being bid for in 2018/19, it is recommended that this contribution is continued with for 2018/19, to enable the proposed capital projects to proceed.

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>Since there is commercially sensitive information in Appendix B, 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 2018/19 Capital Programme totalling £2,555,000 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 2018/19 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 2018/2019

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2018/2019 (table)

Background papers

Capital Programme for 2017/18 - Council 9 February 2017 (66/16 and E.55/16 refer).

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