

AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

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ITEM

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NAME OF COMMITTEE	Executive
DATE	29 January 2015
REPORT TITLE	Capital Budget Proposals for 2015/16 – 2017/18
Report of	Finance Community of Practice Lead
WARDS AFFECTED	All

Summary of report:

To summarise the Capital Programme proposals of £2,875,000 for 2015/16.

Financial implications:

The Council has severely limited resources, in the form of capital receipts, to fund Capital Projects in 2015/16. The report sets out Capital Bids to the 2015/16 Capital Programme totalling £2,875,000 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, value for money and affordability tests (before commitment to finance) as set out in the Council's Asset Strategy.

RECOMMENDATIONS:

The Executive resolves to recommend to Council:

To approve the Capital Programme Proposals for 2015/16 totalling £2,875,000, being £1,755,000 (bids set out in Appendix A) and £1,120,000 (further bids set out in Appendix C).

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1. BACKGROUND

- 1.1 The Council meeting on 13th February 2014 (50/13) approved the current capital programme for 2014/15.
- 1.2 A new Capital Programme is proposed for 2015/16. The Head of Finance invited bids for capital funding from all service areas, for a new capital programme during September 2014 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.
- 1.3 The submitted capital bids have now been assessed against the categories in each priority. Priority 1 categories include statutory obligations (e.g. Health and Safety, DDA etc) and other capital works required to ensure the existing Council's 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.
- 1.4 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.
- 1.5 The Strategic Assets Review (SAR) will provide a comprehensive review of each asset class and undertake a locality based assessment challenging the retention of each individual asset. Underperforming or surplus assets will be considered within the disposal programme. The overall outcome will be the creation of capital receipts and a reduction of property running costs to the Council.
- 1.6 Consideration needs to be given to the funding options for the 2015/16 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.
- 1.7 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.
- 1.8 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.

2 PROPOSED CAPITAL PROGRAMME FOR 2015/16

2.1 Appendix A sets out bids to the Capital Programme for 2015/16, totalling £1,755,000. There are further bids for strategic capital projects totalling a further £1,120,000 as set out in Appendices B and C.

2.2 Capital Investment in Existing Property Assets

2.2.1 Ivybridge Depot

The depot has seen a significant increase in vehicle numbers and traffic movements during recent years. Resurfacing of major traffic areas is now required including improvements to the sub base.

2.2.2 Follaton House

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.

2.2.3 Leisure Centres

The Council is moving towards the end of the Tone Leisure contract in December 2016. There are no specific projects requiring capital funding at this stage. A generic contingency sum (£150,000) for all 4 centres is being created to allow for any major repairs that may become essential to keep the centres operational until December 2016.

The Joint Strategic Leisure Group (Members and Officers) has received an options report from RPT Consulting indicating a potential requirement for capital investment in 2016/17 (either by the contractor or by the Council), subject to a full business case and an assessment of prudential borrowing, to reduce the overall revenue requirement. There is a separate report regarding this item on the agenda.

2.2.4 Torr Stream, Rockdale Road, Yealmpton

There is a requirement to reprofile the stream at Rockdale Road. The existing stream channel is formed out of dry stone walling which has failed despite regular maintenance and re-building. It is in SHDC ownership but runs adjacent to private back gardens. The construction of a more robust stream channel would reduce annual maintenance costs and prevent claims from third parties in times of flood. Although this project could be approved under delegated powers, it is shown here for completeness and to set out how the project will be financed.

2.2.5 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

On this basis, a five year planned programme for coastal repairs is proposed of £300,000 per annum, based on the marine survey.

2.2.6 Dartmouth Town Jetty

The landing pontoon for passengers arriving and departing the Town Jetty is made up of pontoons owned by both the Council and Dart Harbour Authority (DHA). All the pontoons are now 'end of life' and they are being replaced by DHA. The Council will have to reimburse DHA for the two pontoons in its ownership.

2.3 Affordable Housing

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

2.4 Improvement 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.

The Environmental Health service has secured an average saving of approximately 24% (£1,000) on each standard Level Access Shower, through the development, procurement and implementation of a framework agreement across Devon and Cornwall.

Although it is impossible to predict demand for grants, it is proposed to reduce the budget from £650,000 in 2014/15 to £600,000 for the next three years in view of the savings on unit cost.

The Council's Better Care allocation in the sum of £366,000 will support these grants, the remaining balance being funded from New Homes Bonus.

2.5 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.

3 PROPOSED CAPITAL PROGRAMME FOR 2015/16 – EXEMPT ITEMS

3.1 Appendices B and C detail additional strategic capital bids which have been placed in Part 2 of the Agenda due to commercial sensitivity.

3.2 These strategic project bids to the Capital Programme total £1,120,000 in Exempt Appendices B and C. These will be subject to detailed feasibility and financial appraisal techniques (gateway review), following the results of the initial feasibility investigations and condition surveys. This is as set out in the Council's asset strategy.

4 CONCLUSION

4.1 The Capital Programme includes the items of expenditure deemed as essential in accordance with the approved Asset Strategy and other non asset based investments.

4.2 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.

5 FINANCING THE CAPITAL PROGRAMME 2015/16

- 5.1 A summary of the Capital Bids received for 2015/16 is shown in Appendix A. The table below shows the recommended way that these projects are financed:-

Capital Programme 2015/16 (Appendix A bids)	£'000
Capital Programme Reserve (£463k available)	125
Capital Receipts	800
Government Grant funding towards Disabled Facilities Grants	366
New Homes Bonus – for housing projects and disabled facilities grants	464
TOTAL	1,755

- 5.2 There are further strategic capital bids totalling £1,120,000. The table below shows the recommended way that these projects are financed:

Capital Programme 2015/16 (Appendix C bids)	£'000
Capital Programme Reserve (£463k available)	338
Capital Receipts	701
Strategic Issues Earmarked Reserve (£306K available – recommended to use £225K for the T18 Updated Business Case – leaving £81K available for use.)	81
TOTAL	1,120

- 5.3 The capital bids within the 2015/16 Capital Programme Proposals (£2,875,000) would utilise all of the Council's available capital resources for 2015/16 if approved.

6. LEGAL IMPLICATIONS

- 6.1 The Executive is responsible for the control of the Council's capital expenditure. The Finance Community of Practice Lead is responsible for providing capital monitoring reports to the Executive, detailing the latest position of the Council's Capital Programme.

- 6.2 Council is responsible for setting the Capital Programme and approving the Capital Budget, following consideration and recommendation from the Executive.
- 6.3 Final commitment to finance any of the projects in Appendix C will be dependent on a project appraisal and a robust business plan.
- 6.4 Appendices B and C have been placed in Part 2 of the Agenda due to commercial sensitivity. An assessment has been carried out as to whether the public interest in withholding this information from the public domain outweighs the public interest in disclosing it. It was assessed that maintaining the confidentiality of the commercially sensitive information relating to various bodies outweighed the public interest in disclosure of the same.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are set out in the report. The capital bids within the Capital Programme for 2015/16 require funding of £2,875,000.
- 7.2 The Capital Programme includes the items of expenditure deemed as essential in accordance with the approved Asset Strategy and other non asset based investments.
- 7.3 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.

8. RISK MANAGEMENT

- 8.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

9. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report meets all the corporate priorities as they are all implicit within the budget setting process.
Statutory powers:	Local Government Act 1972, Section 151
Considerations of equality and human rights:	This matter is assessed as part of each specific project.
Biodiversity considerations:	This matter is assessed as part of each specific project.
Sustainability considerations:	This matter is assessed as part of each specific project.
Crime and disorder implications:	This matter is assessed as part of each specific project.
Background papers:	Report to and minute 50/13 of South Hams District Council on 13 February 2014. Capital Monitoring Report to Executive on 23 October 2014 Capital Budget Proposals 2015/16 to Executive on 11 December 2014
Appendices attached:	Appendix A – Summary of Capital Bids for 2015/2016 EXEMPT – Appendix B – Additional Capital Bids for 2015/2016 EXEMPT – Appendix C – Summary of Additional Capital Bids for 2015/2016

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Council Priorities	Meeting existing Council priorities in line with the Council's Asset Strategy and the opportunity to assess emerging projects, which could contribute to the Council's priorities	4	2	8	↔	This requires a project appraisal for each proposal. This needs to be taken into account when assessing possible implementation timescales. Complex capital programmes have a relatively long lead-in period.	SMT
2	Funding of the future Capital Programme	Availability of capital resources and options of using funding streams, such as New Homes Bonus	4	4	16	↔	Review of opportunities to support further capital programme. One of the objectives of the Strategic Asset Review is to identify opportunities for the disposal of assets and the generation of capital receipts.	Executive Directors, S151 Officer
3	Providing value for money	The Council must demonstrate that capital investment contributes to corporate priorities, provides value for money and takes account of the revenue implications of the investment.	4	2	8	↔	Regular monitoring of the capital programme and consideration of new pressures enables Members to control the programme and secure appropriate mitigation where problems arise.	S151 Officer
4	Cost overruns	Risk of cost overruns on the Capital Programme.	5	2	10	↔	There is regular quarterly monitoring of the Capital programme to Members where any cost overruns are identified at any early stage. There is a contingency budget suggested within the Capital Programme of £300,000.	S151 Officer

Direction of travel symbols ↓ ↑ ↔