

NOT FOR PUBLICATION

Appendix B of this report contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972

Report to: **Executive**
Date: **6 February 2020**
Title: **Capital Budget Proposals for 2020/21**
Portfolio Area: **Budget Proposals – Cllr Pearce**
Wards Affected: **All**

Dates next steps can be taken: 13th February 2020

Urgent Decision: **N** Approval and clearance obtained: **Y**

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Recommendations:

That the Executive resolves to recommend to Council:-

- a) The Capital Programme for 2020/21, which totals £2,480,000 (Appendix A)
- b) The Capital Programme for 2020/21, which totals £1,250,000 (Exempt Appendix B)
- c) The financing of the 2020/21 Capital Programme of £3,730,000 from the funding sources set out in Section 4.

1. Executive summary

1.1 The report sets out the Capital Bids to the 2020/21 Capital Programme totalling £3,730,000 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 2020/21.

Consideration needs to be given to the funding options for the 2020/21 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 (which includes PWLB borrowing mainly for commercial acquisitions) in 2020/21 to fund the bids which have been submitted by project officers within the Council.

2. Background

- 2.1** The capital programme for 2019/20 was approved by Council on 21 February 2019 (54/18 and E.72/18 refer).

- 2.2** A new Capital Programme is proposed for 2020/21. The Head of Finance Practice invited bids for capital funding from all service areas, for a new capital programme during September 2019 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 I 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.

2.5 The Draft Capital Budget Proposals were considered by the Joint Development Management Committee and Overview and Scrutiny Panel at their meeting on 23rd January. A copy of the minute from their meeting is shown below:

OSDM.4/19 **CAPITAL BUDGET PROPOSALS FOR 2020/21**

Members considered a report that set out the Capital Bids to the 2020/21 Capital Programme and outlined a suggested way that these Bids could be funded.

It was then:

RECOMMENDED

That the Joint Meeting RECOMMEND that the Executive RECOMMEND to Council that:-

1. The content of the Capital Programme Proposals for 2020/21 that totals £2,480,000 (as set out in Appendix A of the presented agenda report) be supported;
2. the content of the Capital Programme Proposals for 2020/21 that totals £1,250,000 (as set out in exempt Appendix B of the presented agenda report) be supported; and
3. the proposed financing of the 2020/21 Capital Programme of £3,730,000 from the funding sources (as set out in Section 4 of the presented agenda report) be supported.

3. Outcomes/outputs

Members are requested to give their views on the proposals for the Capital Programme for 2019/20. Appendix A and exempt Appendix B set out the bids which total £3,730,000.

3.1 Capital Programme 2020/21

3.2 Play Parks – replacement of play equipment

A capital budget of £140,000 is required in 2020/21. Contracts have been awarded for the supply and installation of play equipment at eight play areas across the South Hams. The play areas in question are all in need of replacement/upgrading and the primary objective is to secure the design of attractive, imaginative and low maintenance new play spaces making best use of the sites.

This project marks the first phase of an improvement scheme of SHDC owned play areas agreed by the SHDC Public Spaces Working Group. 2020/21 will be year 3 of a three year programme as shown below:

Capital budget for Play Parks (2017/2018 and 2019/20 approved, 2020/21 budget to be confirmed)

2017/18	2018/19	2019/20	2020/21	Total
£190,000	Nil	£190,000	£140,000	£520,000

There are currently commitments totalling £380,000 against the play parks budget to date.

3.3 Follaton House – roof repairs

The proposed capital programme includes a contribution of £50,000 into a reserve for Follaton House roof repairs. £50,000 per annum is transferred to this fund which has a current balance of £200,000.

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 Follaton House – Replacement Lifts

The proposed capital programme includes a contribution of £30,000 into a reserve for replacing lifts at Follaton House. The balance in this fund is £30,000, 2019/20 being the first year.

There are two lifts which are maintained under contract and regularly serviced. They are increasingly requiring repair and lift engineers have advised that parts are becoming increasingly obsolete. Replacements will be required in the next few years.

3.5 New Waste Containers

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. Containers are required for the Devon aligned service which will be implemented in September 2020. This budget has already been approved by Members and has been included here for completeness (Minute C41/18 refers).

3.6 Waste Fleet Replacement

A report on Frontline Services (Waste and Cleansing Procurement) was presented to Council in December 2018. The Waste Fleet is a Council asset which is maintained and repaired by the Waste Contractor, FCC. The Council and FCC liaise over the timing of purchasing vehicle replacements. Contributions are made into the Vehicle Replacement Reserve annually and are sufficient to fund all replacements until the end of the contract term. The proposed capital programme includes the annual contribution of £550,000. This budget has already been approved by Members and has been included here for completeness (Minute C41/18 refers).

A climate change action plan was presented to Members at the Council meeting on 19th December, 2019. This action plan includes future considerations around the Council's fleet.

3.7 New Sub Lift at Salcombe

The 2018/19 and 2019/20 capital budgets included a contribution into a reserve towards the purchase of a new sub lift. The proposed capital programme includes a further contribution in 2020/21 when sufficient funds will be available to purchase the sub lift.

3.8 Steamer Quay, Totnes – Office Development

A capital budget was approved in 2019/20 for a new office development at Steamer Quay, Totnes with a proposal for additional funds in the 2020/21 capital budget. Architects are currently working up a design during the pre application process.

3.9 Batson, Salcombe - Harbour Workshop

In 2019/20 a capital budget was approved for a new Harbour workshop at Batson with a proposal for additional funds in the 2020/21 capital budget.

In 2019 SHDC gained planning permission for the creation of a new harbour master's depot to be located within the Batson Quay Car Park, Salcombe.

The new harbour depot facility will accommodate workshops to allow the Authority's staff to undertake regular maintenance and repair of their vessels. The depot will facilitate the Authority's ability to organise and monitor all harbour-based activities, such as checking moorings, ensuring safety and the maintenance of existing marina facilities.

Final costs exceed the total of the budget allocation from 2019/20 and the proposed amount for 2020/21. The decision has therefore been taken to delay the project for 12 months to enable value engineering to be explored and ensure business continuity is provided this winter.

3.10 Coastal Assets repairs - 5 year planned programme

Historically maintenance of coastal assets was carried out on a reactive basis. In 2015/16, following a comprehensive condition survey, a proposal was put forward for a five year programme of planned coastal asset repairs with a budget of £300,000 per annum. 2019/20 was the final year of the 5 year programme.

A budget of £300,000 per annum for a further 5 year programme is proposed. The re-survey of all coastal assets is currently underway with delivery due by the end of the financial year. This will allow for a further five year maintenance plan to be developed.

3.11 New Entrance, Batson Creek Car Park

A capital budget provision for a new entrance to Batson Creek Car Park was approved in 2019/20. A further provision is required in 2020/21. This relates to alteration of the car park entrance and spaces layout such that any development within the car park footprint does not result in any loss of capacity. There will also be a requirement to create space for the recycling facilities at Batson through the creation of a hard standing area adjacent to the existing site.

3.12 Cliff House Gardens, Salcombe

A structural report is required and a structural engineer will be appointed to assess and identify whether remedial works are required.

3.13 Public Conveniences – Wallgate (hand-washing) Replacements

The proposed capital programme includes a contribution of £10,000 per annum into a reserve for the replacement of Wallgate hand washing facilities. A number of Wallgates are reaching the end of their 25 year lives and will need to be replaced. Wallgates (hand washing facilities) are situated in public conveniences throughout the South Hams and provide an all in one solution to hand washing facilities and make savings in relation to water, energy efficiency and provide a more practical, eco-friendly and economical hand washing facility.

3.14 Totnes Skate Park

Officers are currently working with the Community to secure capital funding towards a replacement skate park within the SHDC owned Borough Park in Totnes.

This includes an Expression of Interest pending with the National Lottery. Officers hope to deliver a new skate park in 2020/21 financial year subject to a full funding package.

3.15 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 £1,100,000 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.

3.16 Contingency

It is proposed that a 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 Capital bids shown in Appendix A total £2,480,000 with the total of bids in exempt Appendix B being £1,250,000. Funding of £3,730,000 is therefore required. The table below shows the recommended way that these projects are financed:-

Capital Programme 2020/21 <i>Appendix A (£2,480,000) and Appendix B bids (£1,250,000)</i>	£ 3,730,000
Funded By:	
Capital Programme Reserve (See Note 1 below – this includes the 20/21 allocation of £181,600 plus previous funds unallocated)	265,100
Vehicle & Plant Renewals Reserve*	550,000
Capital Receipts	714,900
Better Care Grant funding towards Disabled Facilities Grants (estimated)	1,100,000
Borrowing – Waste and Cleansing Procurement (purchase of containers for the Devon aligned service)*	500,000
Borrowing – development opportunities (this is a proportion of the total PWLB borrowing for the projects shown within the South Hams Commercial Developments report and relates to the capital expenditure in the 20/21 year only) – Steamer Quay/Batson Workshop	600,000
TOTAL	3,730,000

* This funding has already been approved by Council on 6th December 2018 as part of the report on Frontline Services (Waste and Cleansing Procurement) Council Minute C41/18.

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 2020/21 of £181,600.

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 Head of Finance and Assets Practices 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>It is the role of the Joint Development Management Committee and Overview and Scrutiny Panel to scrutinise the Budget proposals being proposed by the Council on an annual basis.</p> <p>Since there is commercially sensitive information in Appendix B, regarding the budgets for individual projects, there are grounds for the publication of this Appendix 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 Appendix B. Accordingly this report contains exempt Information as defined in paragraph 3 of Schedule 12A to the Local Government Act 1972.</p>

<p>Financial Implications to include reference to Value for Money</p>	<p>Y</p>	<p>The report sets out the Capital Bids to the 2020/21 Capital Programme totalling £3,730,000 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 (which includes PWLB borrowing of £1.1m) in 2020/21 to fund the bids which have been submitted by project officers within the Council.</p> <p>The regular monitoring of the Capital Programme ensures the Council has arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</p>
<p>Risk</p>	<p>Y</p>	<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>

Supporting Corporate Strategy		The Capital Programme supports all six of the Corporate Themes of the Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change - Carbon / Biodiversity Impact		A climate change action plan was presented to Members at the Council meeting on 19 th December, 2019. This action plan includes future considerations around the Council's fleet.
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 2020/2021

EXEMPT - Appendix B – Summary of exempt Capital Bids for 2020/2021 (table)

Background papers

Capital Programme for 2020/21 – Executive 19 December 2019

Capital Programme for 2019/20 - Council 21 February 2019 (54/18 and E.72/18 refer).

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Heads of Practice sign off (draft)	Yes
Data protection issues considered	Yes
Accessibility checked	Yes