

Report to: **Executive**
Date: **28 January 2021**
Title: **Capital Budget Proposals for 2021/22**
Portfolio Area: **Budget Proposals – Cllr Pearce**
Wards Affected: **All**

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

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Recommendations:

1) The Executive recommends to Council:

- a) The Capital Programme for 2021/22, which totals £2,380,000 (Appendix A)
 - b) The financing of the 2021/22 Capital Programme of £2,380,000 from the funding sources set out in Section 4.
- 2) The Executive gives consideration as to whether to also include a capital programme contingency budget of £200,000 for 2021-22 within the Capital Programme, to be funded by the New Homes Bonus scheme for 2021-22.

(Note: If a recommendation is approved as part of the Revenue Budget Proposals report to utilise £200,000 of New Homes Bonus funding from 2021-22 towards the Recovery and Renewal Plan and the Climate Change Action Plan, this will be instead of using £200,000 of New Homes Bonus funding for the capital programme contingency budget in 2021-22).

1. Executive summary

1.1 The report sets out the Capital Bids to the 2021/22 Capital Programme totalling £2,380,000 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 2021/22.

Consideration needs to be given to the funding options for the 2021/22 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 £500,000 PWLB borrowing) in 2021/22 to fund the bids which have been submitted by project officers within the Council.

2. Background

2.1 The capital programme for 2020/21 was approved by Council on 13 February 2020 (72/19 and E.75/19 refer).

2.2 A new Capital Programme is proposed for 2021/22. The Head of Finance Practice invited bids for capital funding from all service areas, for a new capital programme during October 2020 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.

3. Outcomes/outputs

Members are requested to give their views on the proposals for the Capital Programme for 2020/21. Appendix A sets out the capital bids which total £2,380,000.

3.1 Capital Programme 2021/22

3.2 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. The Amended Budget for 2020/21, following the impact of Covid-19, removed the budgeted annual contribution for 2020/21. Approval is now sought to reinstate this contribution from 2021/22 and include the usual £50,000 for 2021/22 (as the Council now has more certainty of its financial position, following the Covid funding announced in Government support measures). The total bid for 2021/22 will therefore be £100,000 in total.

3.3 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. The Amended Budget for 2020/21 (following the impact of Covid-19) removed the budgeted annual contribution for 2020/21, approval is now sought to reinstate this contribution from 2021/22.

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. The building is on three levels and different sections of the building are leased to tenants. Replacements will be required in the next few years.

3.4 Coastal Asset repairs - 5 year planned programme

There is no capital budget required in 2021/22 as sufficient accumulated funds are available for the current programme of coastal asset repairs. The budget will be carried forward to 2022/23. 2020/21 is year 1 of a five year programme as shown below:

Capital budget for Coastal Asset repairs (2020/21 approved, 2022/23 to 2025/26 budgets to be confirmed)

2020/21 000's	2021/22 000's	2022/23 000's	2023/24 000's	2024/25 000's	2025/26 000's	Total 000's
£300		£300	£300	£300	£300	£1,500

There are also resources available from the previous 5 year programme in the sum of £458,000 giving a total budget of £758,000 for 2021/22.

Note: The resources carried forward from the previous 5 year programme were as a result of Environment Agency funding being secured by the Council for coast protection works.

3.5 Waste Fleet Replacement

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 Revenue Budget includes an annual contribution of £550,000 into the Vehicle Earmarked Reserve (as approved by Council on 6th December 2018: Frontline Services - Waste & Cleansing Procurement report – Minute CM41/18)

3.6 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.

3.7 Dartmouth Health and Wellbeing Hub – Car Parking Provision

Progress with the Health Hub project is being made, with planning now approved in December 2020 and contractor tenders being analysed ahead of works starting in Q2 2021. The project approval and funding envelope has always been for the building works, not for any associated car park improvements to the existing overflow car park. This capital bid is for the cost of upgrading the overflow car park to a tarmac finish, with drainage, signage and white lining.

The price to undertake the works will be based on the tendered quote. The winning bidder for the building will also undertake the car park upgrade works. The car park will be used as a short stay car park during the week to support the Health Hub and a long stay car park at weekends to support the Park & Ride service. For consistency, the short stay tariffs will be aligned to the adjacent leisure car park and the long stay to the Park & Ride.

Business Case:

The Transport Statement supporting the planning application states 162 expected trips per day to the Health Hub once complete.

162 daily trips at 5 days per week, 52 weeks of the year is 42,120 trips per annum. At the hour tariff of 70p charged at the leisure centre, this equates to **£29,484** per annum.

Additionally, the upgrading and formalising of the existing overflow car park will see the facility being utilised more efficiently with a gain of circa 25 spaces. Furthermore, the car park will not be impacted by adverse weather conditions which make parking impossible.

The overflow is generally used in peak periods only. Assuming 18 weekends at full P&R car park capacity (summer plus Easter/Whitsun/Oct Half Term), equates to 25 spaces @ 36 days per year @ £5 per day = **£4,500**

In total, this equates to an annual additional car parking income of circa **£35,000** per annum.

Based on an estimated construction price of £500k, the estimated pay back period is approximately 14 years.

Aside from the financial position, the improved car parking facility will include EV charging points (3 No.) and allow the current summer P&R usage to be on an all-weather surface.

An extract of the Minute from the Executive meeting on 18 July 2019, on the Dartmouth Health and Wellbeing Hub Development is set out below as background information:

Extract of the Minute from the Executive meeting on Thursday 18 July 2019

E.16/19 DARTMOUTH HEALTH AND WELLBEING HUB DEVELOPMENT
Members were presented with a report that asked for consideration of the relative merits and approval of a proposal to deliver a key health facility at Dartmouth in line with the Council's Health and Wellbeing theme. The Deputy Leader introduced the report. Members were generally supportive of the proposals and each of the local Ward Members spoke in support. The benefits of the scheme to the surrounding parishes was discussed. The Leader did advise that the facilities to be included within the Hub would be decided by the NHS Trust and would not be a matter for the District Council.

Page 18 Executive 18.07.19 It was then: RESOLVED that:

1. The project to deliver a Health and Wellbeing HUB in Dartmouth and associated business case in exempt Appendix A be approved;
2. The borrowing identified in the business case under the delegation provided by the Commercial Investment Strategy be approved;

3. Authority be delegated to the Head of Assets Practice to enter into leases (and associated legal agreements) associated with the project with a term longer than the delegated limit of 15 years; and
4. The minimal impact that the proposals may have on total parking capacity in Dartmouth be recognised and officers instructed to bring forward proposals for consideration by local members to mitigate that loss.

3.8 Replacement Payroll & HR Software

Officers are currently looking at a replacement Payroll and HR system. The current software is outdated and nearing end of life resulting in additional support payments. The market has been tested and the costs benchmarked.

The cost is being shared 50/50 with West Devon Borough Council, £15,000 represents South Hams District Council's 50% share.

3.9 Replacement of IT Hardware

The Hardware in need of replacement includes the existing servers and data storage. The existing equipment is approaching end of life and is subject to reliability issues and storage space limitations. Additional annual support payments will be required as the original supplier support has ended.

The servers were purchased in March 2017 and the current support and maintenance ends in early March 2021. Our existing servers are running more virtual servers than they are specified for. While a number of our applications are Cloud based, such as the Netcall LoCode platform, Goss Website, Northgate Land Charges and Concerto Asset Management, the Councils still have 146 virtual servers on the cluster including the new Northgate Assure solution and Northgate Information at Work document management system.

New servers and storage will be more reliable and more responsive. The new hardware will reduce the likelihood of system outages and recover quicker should the necessity arise. This approach is more cost effective than attempting to move all of our server and storage capacity to the cloud.

The cost is being shared 50/50 with West Devon Borough Council, £85,000 represents South Hams District Council's 50% share.

3.10 Slapton Public Conveniences

Further to the closure of the Slapton Middle Car Park toilet, an allocation of £150,000 can be included within the Capital Programme for 2021/22, for the construction of a replacement toilet, if an appropriate site can be found. This figure excludes land values or other associated costs.

Officers will investigate where a replacement toilet could be located, recognising the former location is unsustainable due to coastal erosion. Should an acceptable location be found, a further report seeking approval will be brought to the Executive.

3.11 Batson Creek, Salcombe

A report on the capital projects within Batson Creek, Salcombe has been included on the Executive Forward Plan for March 2021. This is just for noting purposes on the timeframe for these capital projects being reported to the Executive.

3.12 Contingency

There is an option for a contingency budget of £200,000 to be included in the capital programme for 2021/22. If a contingency budget is included within the Capital Programme for 2021-22, it is recommended for this to be funded from the New Homes Bonus Scheme for 2021/22.

A contingency budget would 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.

3.13 The Draft Revenue Budget Proposals for 2021/22 were considered by the Joint meeting of the Development Management Committee and Overview & Scrutiny Panel on 14th January. It was Resolved (Minute OSDM.15/20) that the Joint meeting support the allocation of £500,000 for funding for the Recovery and Renewal Plan and a further £322,274 funding for the Climate Change Action Plan, to be funded by:

- a. *withdrawing the contribution to the Planning Earmarked Reserve in 2021-22 of £50,000;*
- b. ***utilising £200,000 of New Homes Bonus funding from 2021-22 (instead of using £200,000 of New Homes Bonus funding for the 2021-22 Capital Programme);***
- c. *using £450,000 of funding from the Business Rates Retention Earmarked Reserve; and*
- d. *using £122,274 of the remaining unallocated New Homes Bonus monies for 2021-22;*

3.14 The report on the Draft Revenue Budget Proposals for 2021-22 will be considered before the Draft Capital Budget Proposals for 2021-22 on the Executive agenda.

If a recommendation is approved as part of the Revenue Budget Proposals report to utilise £200,000 of New Homes Bonus funding from 2021-22 towards the Recovery and Renewal Plan and the Climate Change Action Plan, this will be instead of using £200,000 of New Homes Bonus funding for the capital programme contingency budget in 2021-22.

4 FINANCING THE CAPITAL PROGRAMME

4.1 Capital bids shown in Appendix A total £2,380,000. Funding of £2,380,000 is therefore required. The table below shows the recommended way that these projects are financed:-

Capital Programme 2021/22	£
<i>Appendix A bids</i>	2,380,000
Funded By:	
Capital Programme Reserve (See Note 2 below)	130,000
Vehicle & Plant Renewals Reserve	550,000
Capital Receipts	100,000
Better Care Grant funding towards Disabled Facilities Grants (estimated)	1,100,000
Borrowing	500,000
TOTAL	2,380,000

Note 1 - There is a separate option to also have a Capital Programme contingency budget in 2021-22 of a further £200,000, funded by New Homes Bonus funding in 2021-22. Sections 3.12 to 3.14 give more detail.

Note 2 -This assumes the Council continues to make a revenue contribution to the Capital Programme Reserve in 2021/22 of £181,600.

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 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.
Financial Implications to include reference to Value for Money	Y	<p>The report sets out the Capital Bids to the 2021/22 Capital Programme totalling £2,380,000 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 £0.5m) in 2021/22 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>

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>
Supporting Corporate Strategy		<p>The Capital Programme supports all six of the Corporate Themes of the Council, Homes, Enterprise, Communities, Environment and Wellbeing.</p>
Climate Change - Carbon / Biodiversity Impact		<p>The Council declared a Climate Change and Biodiversity Emergency on 25 July 2019 and a Climate Change Action Plan was presented to Council in December 2019. Following this report, a strategy will be implemented as to how the Council could finance the items within the Action Plan, whether that is from external grant sources or some funding from the Council's own resources.</p> <p>The Council has Earmarked £400,000 in a Climate Change Earmarked Reserve as part of the 2020-21 Budget.</p>

		<p>On 17th December 2020, Council adopted the Climate Change and Biodiversity Strategy. The Council has committed to the following aims;</p> <ul style="list-style-type: none"> a) to reduce its organisational carbon emissions (Scope 1, 2 and 3 emissions) to net-zero by 2030; b) to commit to working with partners through the Devon Climate Emergency Response Group to aim to reduce the District of South Hams' carbon emissions to net-zero by 2050 at the latest; c) That the Council aim for a 10% Biodiversity Net Gain in the habitat value of its green and wooded public open space by 2025; <p>The report also set out the proposed initiatives for the £400,000 in the Climate Change Earmarked Reserve. (£20,000 has already been allocated to support the delivery of work to improve the energy efficiency of the existing housing stock in light of the successful Green Homes Grant bid – Minute E.31/20 refers</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 2021/2022

Background papers

Capital Programme for 2020/21 – Council 13th February 2020
(72.19 and E. 75/19 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