

**Council - 24 July 2008**

## **CAPITAL PROGRAMME**

### **Report of the Strategic Director (Community)**

**Statutory Powers:** Local Government Act 1972, Section 151 and section 2 Local Government Act 2000

**Financial Implications:** The Capital Programme, when agreed, will usually have financial implications because of either income generated or ongoing revenue costs arising from the investment. Furthermore, the expenditure of capital sums has a revenue impact through the loss of interest earned. This equates approximately to a loss of £60,000 interest per annum for every £1 million of capital spent. 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 as set out in the Council's Asset Strategy.

### **Purpose**

To advise Members of the proposed capital programme for 2008/09 and 2009/10 taking into account the priorities approved in the current Asset Strategy and the emerging proposals for capital investment.

## **RECOMMENDATIONS**

**The Council RESOLVES that:**

- 1. the Capital Programme be approved, subject to satisfactory completion of appraisals for each project, to include an assessment of affordability in terms of the impact on the Council's Medium Term Financial Strategy and demonstration of value for money, and in the case of the Council's investment in community projects, the submission and approval of a robust business case;**
- 2. the methods of delivery for the Programme as set out in this report be approved;**
- 3. delegated authority be given to the Council's Strategic Management Team to deliver the Capital Programme, including the procurement of appropriately skilled resources, to support delivery within the required timeframe, in consultation with the Leader and the appropriate Executive Member;**
- 4. the Strategic Management Team report progress of the Programme to Executive at least four times per annum; and**
- 5. the Council's Medium Term Financial Strategy be updated to reflect this Capital Programme.**

## **Background**

1. At the Executive meeting on 29 May 2008, consideration was given to a report on the Asset Strategy, and the minutes of the meeting held on 22 May of the Community Policy Development Group. It was resolved that the Asset Strategy 2008 be approved. The Asset Strategy focuses on the maintenance of the Council's existing assets to ensure that they remain fit-for-purpose and comply with legislative requirements. In terms of the outcome of the Community Policy Development Group the Executive resolved that:
  - a) £600,000 be released for public space works;
  - b) consideration of further funding is considered at a future meeting of the Executive in the context of the corporate capital programme;
  - c) the capital programme priorities as presented in the document 'Public Space – Proposed Capital Projects 2008-2011' be adopted, and revenue savings be sought;
  - d) the Public Space Working Group monitor progress on delivery of the capital projects and decisions on any variance in the programme be delegated to the Head of Landscape and Leisure in consultation with the appropriate lead Executive Member.
2. A capital programme is proposed for the next two years. It seeks to balance the priority to invest in the Council's property assets, so that they remain fit-for-purpose, and the need to support emerging projects to meet the Council's and community needs.
3. The proposed 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. In the case of proposals to invest in community projects there will be an assessment of the robustness of the proposal through the analysis of a business case. In any event, projects will be tested for sustainability, affordability, value for money, use of resources and where appropriate the suitability for transferring assets to Parish Councils or Community Groups.

## **The 2008/09 to 2009/10 Programme**

4. The proposed Capital Programme for the current and next financial year comprises the following elements outlined in this section of the report.

## **Capital Investment in Existing Assets**

5. At its meeting on 29 May, the Executive approved the 2008 Asset Strategy. The Strategy identifies the funding available for capital investment in the Council's assets and disabled facilities grants at £2,009,000 in 2008/09 and £1,499,000 in 2009/10. These funds were originally identified in the 5-year capital programme approved by Executive on 7 October 2004. This expenditure has already been taken into account in the compilation of the Council's Medium Term Financial Strategy. Preliminary project appraisals for some elements of the programme are included at Appendix A
6. The Head of Property Services has reviewed the condition of the property assets and has proposed a programme to address items which best meet corporate

priorities and / or cross cutting issues and are considered to be essential. That is, in order to either prevent closure of a service, mitigate a health and safety / environmental risk or to meet a statutory requirement. Items not fulfilling these criteria are programmed for future years. This programme was reviewed and approved by the Asset Management Group on 8 July 2008.

7. The proposed programme is set out in Appendix B. Please note that following the decision of Executive on 29 May, £600,000 has been included in this element of the programme for expenditure on public space works.

### **Public Space Projects**

8. The Executive on 29 May 2008 approved the recommendations made by the Community Policy Development Group at its meeting on 22 May 2008 to release £600,000 for public space works, consider further funding in the context of the corporate capital programme and to seek revenue savings. A proposed programme has been assembled to address the items considered as 'essential' capital investment required over and above the £600,000 approved on 29 May 2008. Provision of £60,000 is made within this element of the proposed capital programme to deliver a new skate park at Kingsbridge. A site is being investigated and is still to be confirmed but is expected to be on the Council's own land in order to avoid site acquisition costs. If it were to be located on operational land any revenue implications will be taken into account in the project appraisal. This proposed capital investment is not currently included within the Council's Medium Term Financial Strategy and if approved will require appropriate adjustment to the Strategy.
9. The proposed programme for public space projects is set out in Appendix C. Please note that the totals in this appendix include the £600,000 expenditure on public space, which has been included in paragraph 7 above.

### **Pool at South Dartmoor Leisure Centre**

10. The key strategic actions emerging from the Council's Strategic Swim Study were accepted in principle by Executive on 10 April 2008. The Strategy identifies that the pool provision at South Dartmoor Leisure Centre falls short of being fit-for-purpose and does not meet the demand for swimming in that part of the District. Provision is made within the proposed Capital Programme to support a replacement swimming pool, which is a Council asset, at the Leisure Centre in partnership with Tone Leisure and others.
11. Provisional estimates based on the costings of other recently constructed pools shows that the completed project is likely to cost in excess of £2.5m. It is proposed that the Council enters into discussion with potential partners such as Tone Leisure, the County Council, local Swimming Clubs and national grant funders willing to allocate finance to swimming, to investigate the possibility of assembling a funding package and generate a robust business case.
12. The provisional sum of £1m is included in this Capital Programme as an indication of this Council's potential commitment to this project. This proposed capital investment is not currently included within the Council's Medium Term Financial Strategy and if approved will require appropriate adjustment to the Strategy.

## **Woolwell Infrastructure Improvements**

13. Provision is made within the proposed capital programme to deliver improvements to the infrastructure at Woolwell, in the vicinity of the Community and Resource Centre at a cost of £50,000. This proposed capital investment is not currently included within the Council's Medium Term Financial Strategy and if approved will require appropriate adjustment to the Strategy.

## **Salcombe Fish Quay Regeneration**

14. The Fish Quay and associated facilities at Salcombe may be able to benefit from European Fisheries grant for the refurbishment and improvement of this area. It is possible that such an improvement could be incorporated into the regeneration of the wider Fish Quay and adjoining car park. The proposed capital programme identifies £250,000, which may be used to match EU money or as the Council's contribution to the project.
15. This project is in the early stages of development as is the EU funding source, which is expected to become live in the late summer 2008. Expressions of interest are currently being invited with the deadline for full applications not yet set but likely to be towards the end of this calendar year. Therefore, capital investment is not likely until 2009/10 at the earliest. This proposed capital investment is not currently included within the Council's Medium Term Financial Strategy and if approved will require appropriate adjustment to the Strategy.

## **District Council Investments in the Community**

16. There are known to be significant community based proposals currently in development within the South Hams. Where these support the Council's corporate priorities and / or cross cutting issues the Council may be minded, from time to time, to provide a capital grant. Provision is made within the proposed capital programme for such grants, however the merits of any individual case will be assessed on the strength of its business case and approval of the Executive.
17. Projects currently known to be under consideration include the New Community Centre at Kingsbridge and Swimming Pool at Dartmouth but other projects may emerge. The sum of £1m is identified notionally over the two-year period to be able to respond to potential bids from the Community. This proposed capital investment is not currently included within the Council's Medium Term Financial Strategy and if approved will require appropriate adjustment to the Strategy.

## **Other Capital Programme Items**

18. This paper focuses primarily on the proposed capital expenditure on property and assets. However, this needs to be considered with other items of proposed capital investment to understand the Council's total commitment over the next two years.

### **Affordable Housing**

19. The Council has funding from received and anticipated planning agreement contributions, and the Second Homes Council Tax fund to invest in sites across the District providing financial support as Local Authority Social Housing Grant. This amounts to a fund of approximately £1.5m. The current development programme has been reviewed to allocate these funds to potentially unlock sites and generate affordable housing. The priority will be to focus activity in those locations identified at the Community Policy Development Group on 13 March and further refined by the announcement of the Leader at Council on 8 May. However, in the current economic climate, an opportunistic approach may be required to respond to landowners and/or developers who are prepared to promote sites which are not currently in the programme, but could be brought forward without undermining the Council's planning policies. Therefore, accurate timing of allocation is difficult to predict in the current market conditions but this expenditure is already accounted for within the Medium Term Financial Strategy.

#### **Disabled Facilities Grants**

20. Provision is made for grant allocations for £356,000 in 2008/09 and potentially £410,000 in 2009/10 comprising £246,000 (60%) from GOSW and £164,000 (40%) from capital funds. This expenditure is already accounted for within the Medium Term Financial Strategy.

#### **Private Sector Renewal Loans**

21. The Executive approved a budget of £330,000 for 2008/09 (E.127.07). This expenditure will be funded from the Council's regional housing pot allocation.

#### **ICT**

22. The Council makes strategic investments in IT so that it continues to operate effectively and improve the quality of service to customers. In addition, to the current approved programme it is anticipated that future projects will be funded from Planning Delivery Grant, the ICT Development Reserve or the remaining balance of the Implementing Electronic Government (IEG) grant. This expenditure is already accounted for within the Medium Term Financial Strategy.

#### **Vehicles**

23. The Council has a 5 year rolling vehicle replacement programme which has been approved at £2.8m.

#### **Programme Summary**

24. The table below shows a summary of the budget estimates for the component parts of the proposed Capital Programme for 2008 / 09 and 2009 / 10. It distinguishes those parts already included in the Medium Term Financial Strategy (MTFS) from those which are not.

<b><u>Programme</u></b>	<b><u>Approved funding within MTFS</u></b>		<b><u>Additional funding required within MTFS</u></b>	
	<b><u>2008/09</u></b> £000	<b><u>2009/10</u></b> £000	<b><u>2008/09</u></b> £000	<b><u>2009/10</u></b> £000
<b>Capital Investment in Existing Assets</b>	£1,245	£1,352		
<b>Public Space Projects</b>			£733	£593
<b>Pool at South Dartmoor Leisure Centre</b>				£1,000
<b>Woolwell Infrastructure Improvements</b>				£50
<b>Salcombe Fish Quay Regeneration</b>				£250
<b>District Council Investment in the Community</b>				£1,000
<b>Affordable Housing</b>	£735	£735		
<b>Disabled Facilities Grants</b>	£356	£410		
<b>Private Sector Renewal Loans</b>	£333	TBA		
<b>Vehicles</b>	£890	£350		
<b>Total</b>	<b>£3,559</b>	<b>£2,847</b>	<b>£733</b>	<b>£2,893</b>

## **Delivery**

25. The Council's Medium Term Financial Strategy must reflect the revenue implications of the Capital Programme. This will include the timing of expenditure, so it is essential that the approved Programme is delivered on time and to budget. It is recommended that the Strategic Management Team be given the delegated authority to procure, where necessary, appropriate project management skills for the purposes of delivering this Programme. The cost of these resources is included in the project estimates. The following methods of procurement are recommended to deliver the programme outlined above.

### **Capital Investment in Existing Assets**

26. These include a broad range of projects requiring varying degrees of professional input in commissioning, design and delivery. It is recommended that the Strategic Management Team be given delegated authority to deliver projects within this element of the programme by the most appropriate methods to ensure that they are delivered on time, within budget and to the appropriate

standard. This is likely to be a balance of delivery through the in-house team, use of resources from Teignbridge District Council and external commissioning.

## **Public Space Projects**

### **Play Areas and Skate Parks (Space for Children and Young People)**

27. This element of the programme consists of a number of projects geographically spread across the South Hams. Each project needs to be designed and the local community consulted before it constructed on site. It is recommended that this programme be tendered and let as single contract through the EU procurement process. The selected contractor will be required to design, consult and deliver new play areas in accordance with the Council's specifications and budget limits over the next two years. Prior to letting a contract consideration will be given to opportunities to work in partnership with local organisations and to transfer assets to Parish Councils where there is a willingness and capability to accept such a transfer.

### **Public Space Improvements (Improving Quality of Public Space)**

28. The survey of the Council's open space, which is currently being completed, has identified a number of capital improvements required within our existing assets of this type. The most efficient way to deliver this programme is through the Council's in-house team of trades persons within Property Services. This will eliminate the need for drawing up and tendering a significant number of individual specifications and site inspections to sign off works on completion. This approach will provide the Council with good value for money.

### **Sport Improvements (Places for Activities and Exercise)**

29. The works relating to this part of the programme are predominantly the replacement of existing tennis courts. Therefore is it proposed to let a single contract through the EU procurement rules for a design and build approach. This element of the programme includes a sum of £50,000 as a grant to allow community use at the proposed grass pitch at Totnes KEVICC.

## **Pool at South Dartmoor Leisure Centre**

30. It is recommended that the first stage is to commission a feasibility study to identify the opportunities and options associated with replacing the outdoor pool and to assess the most effective method of procurement to deliver the new pool. The second stage will be to implement the procurement as recommended in stage one.

## **Woolwell Infrastructure Improvements**

31. There are infrastructure and access issues in relation to the Woolwell Community and Resource Centre. It is recommended that the first stage is for officers in partnership with the community centre to undertake a feasibility study to identify how the problems can be addressed to improve the usability of this community facility and to assess the most effective method of procurement to deliver the desired infrastructure. The second stage will be to implement the procurement as recommended in stage one.

## Salcombe Fish Quay Regeneration

32. The Council will provide officer support to enable the application to be made to the DEFRA for Fisheries Funding for improvements to port facilities and processing and marketing fish products.

## District Council Investment in the Community

33. The Council currently contributes to community projects through the “Community Grant Fund”. This fund is used to support small but important community projects. This capital programme makes available an additional capital fund to allow the Council to make grants to community led proposals requiring significant capital investment. Recent examples include capital contributions to the Flavel Art Centre in Dartmouth and to the Watermark Innovation Centre Innovation in Ivybridge. The timing of the allocation of individual grants will be dependant upon the community group presenting a business case that is acceptable to the Council and demonstrating that the proposal contributes to the Corporate Priorities. The Council will provide officer support to major community initiatives as appropriate.

## Affordability

34. The indicative capital programme totals:

	<u>Approved funding within MTFS</u>		<u>Additional funding required within MTFS</u>	
	<u>2008/09</u> £000	<u>2009/10</u> £000	<u>2008/09</u> £000	<u>2009/10</u> £000
<b>Programme Total</b>	£3,559	£2,847	£733	£2,893

35. Expenditure of capital sums has a revenue impact through the loss of interest earned. This equates approximately to a loss of £60,000 interest per annum for every £1 million of capital spent. This will also need to be balanced with the other revenue costs, which a capital investment may bring over its lifetime e.g. running costs of a new pool set against the projected additional income and savings through the transfer of the asset to a Parish Council or Community Group. The proposed level of expenditure on the Councils existing assets has been restricted to essential items which will generate further revenue savings. These costs will be identified in the full project appraisal to which capital items are subject in accordance with the Asset Strategy 2008.
36. Estimated at £60,000 per £1m capital expenditure the additional revenue costs of the proposed programme to be built into the Medium Term Financial Strategy are:

Year	Additional Capital Investment	Times £60,000 per £1m	Additional Revenue Costs £000
2008 / 09	£0.733m	X £60,000	£44
2009 / 10	£2.893m	X £60,000	£174
<b>Total</b>			<b>£218</b>

## Risk Assessment

37. These are the key risk issues.

<b>Strategic opportunities</b>	<b>Issues/Obstacles</b>	<b>Benefits</b>
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.	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. 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.	An effective programme will improve the well-being of residents and contribute to achieving Council priorities.

## Conclusion

38. The capital programme for 2008/09 and 2009/10 includes the items of expenditure deemed as essential in accordance with the Asset Strategy and other non asset based investments plus the recently emerged suggestions for capital expenditure. The proposed programme places an estimated additional revenue requirement upon the Council of approximately £220,000 per annum. However final commitment to finance any of the projects set out in this report will be dependant on a project appraisal, or in the case of investment in the community, a robust business plan, and an assessment of general affordability in the light of future budgetary constraints.
39. Regular monitoring of the programme will enable progress to be checked, and where slippage is occurring, or projects cannot be progressed, other projects, such as those public space proposals identified by the Community Policy Development Group, but of lower priority, could be considered as potential replacement projects.

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Council  
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