

Executive - 21 January 2010

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. 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 existing capital commitments for 2009/10 and to seek approval for the proposed capital programme for 2010/11 and 2011/12 taking into account the priorities approved in the current Asset Strategy.

RECOMMENDATION

The Executive RECOMMENDS to Council that:

- 1. the Capital Programme be approved, subject to satisfactory completion of appraisals for each project to demonstrate value for money;**
- 2. delegated authority be given to the Council's Strategic Management Team to deliver the Capital Programme, including the procurement of appropriately skilled resources and expenditure of the contingency budget, to support delivery within the required timeframe, in consultation with the Leader and the appropriate Executive Member;**
- 3. the Strategic Management Team report progress of the Programme to Executive at least four times per annum; and**
- 4. the outdoor pool at Ivybridge not be re-opened.**

Background

1. At the Executive meeting on 5 March 2009, approval was given to a report on the Asset Strategy 2009. The Strategy focuses on the maintenance of the Council's existing assets to ensure that they remain fit-for-purpose and comply with legislative requirements.

2. The Council meeting on 24 July 2008 approved the current capital programme for 2008/09 and 2009/10, which focuses on investing in the Council's property assets across the district.
3. A new 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. The proposed programme is to be funded from within existing capital resources as set out in appendix A.
4. 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.
5. The proposed capital programme will exhaust the Council's unallocated capital funds and future programmes will rely on generating additional capital receipts, obtaining further grants or borrowing. However, borrowing would have a direct impact on the level of Council Tax as additional revenue would need to be generated to repay any debt.

The 2009/10 to 2011/12 Programme

6. The proposed capital programme for the current and next two financial years comprises the following elements outlined in this section of the report.

Capital Investment in Existing Assets

7. The Head of Property Services has reviewed the condition of the property assets and has proposed a programme for 2010 to 2012 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 will be programmed for future years, subject to funding being available. This programme was reviewed and approved by the Asset Management Group on 11 January 2010.
8. The proposed programme is set out in Appendix A. There are a number of capital items which at present can not be funded and it is proposed that a contingency budget of £1m be included in the capital programme in case of the need for emergency replacement of an item not included in the programme.
9. Members will note that the programme includes £1m for the replacement of the indoor and outdoor swimming pools at Ivybridge. Current investigations have identified that a single replacement indoor pool could be provided for circa £2m. The outline proposal would potentially provide enhanced facilities at the leisure centre and discussions are being held with Tone Leisure and other funding sources on how the remainder of the funding can be generated. In the meantime, the existing outdoor pool has reached the end of its viable economic life and will not open in summer 2010 in anticipation that a replacement for both pools can be provided in the foreseeable future. Additional information is provided in appendix B.

Other Capital Programme Items

10. 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 current and next two financial years.

Affordable Housing

11. The Executive approved the current Housing Capital Programme on 19 November 2009 (minute no. E.62/09). A total of £1.18m of the approved programme has been committed to affordable housing schemes which are either on site or are due to start on site within the 2010/11 financial year. The remaining unexpended housing capital budget amounts to £873,000 against which a provisional programme of investment amounting to £750,000 has been identified for future affordable housing schemes. Accurate timing of these allocations is difficult to predict in the current market conditions.

Disabled Facilities Grants

12. Provision is made within the programme for Council funding of £170,000 in 2010/11 and potentially £180,000 in 2011/12. In addition, it is anticipated that the Council will receive approximately £250,000 per annum from the Government in the form of capital grant which has to be spent on Disabled Facility Grants.

Private Sector Renewal Loans

13. The proposed programme includes estimated budgets of £450,000 for 2010/11 and £500,000 for 2011/12. These figures are based on the Council's predicted allocation from the Government's Regional Housing Pot, specifically for private sector renewal. The final budget will match the actual allocation received and all loans/grants will be funded entirely from this allocation.

ICT

14. The Council makes strategic investments in ICT so that it continues to operate effectively and improve the quality of service to customers. Funding is available from the ICT Development Reserve and / or Government Grants as appropriate. Approval for such expenditure would be subject to the Council's normal approval processes, but no specific capital expenditure is included in this programme.

Vehicles

15. The Council has a 5 year rolling vehicle replacement programme which has been approved at £2.28m. This will continue to be rolled out.

Invest to save

16. Opportunities for generating revenue savings from the Council's property assets are currently being investigated by the Head of Property Services. These projects may require initial capital investment in order to gain year on year saving in the future. These investigations include the possible refurbishment

and letting of parts of Follaton House and redevelopment of some of the Council's Employment Estate. Any such proposal, not currently included in this capital programme, will be the subject of a business case to be approved by the Executive and recommended for approval by Council.

Contingency

17. The programme includes a contingency sum of £1m. 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.

Programme Summary

18. The table below shows a summary of the budget estimates for the component parts of the proposed Capital Programme for 2009/10, 2010/11 and 2011/12.

£000s	2009/10	2010/11	2011/12
Capital Investment in Existing Assets	1727	4010	1970
Affordable Housing	375	625	50
Disabled Facilities Grants	392	420	430
Private Sector Renewal Loans	555	450	500
Vehicles	500	503	1279
Contingency	0	500	500
Inv. In Community		500	500
Total	3549	4808	4729
Grand Total		15786	

Delivery

19. 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.
20. The proposed programme includes 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 and external commissioning.

Risk Assessment

21. These are the key risk issues.

Strategic opportunities	Issues/Obstacles	Benefits
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

22. The capital programme for 2010/11 and 2011/12 includes the items of expenditure deemed as essential in accordance with the approved Asset Strategy and other non asset based investments. Final commitment to finance any of the projects set out in this report will be dependent 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.
23. 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, or are currently of lower priority, could be considered as potential replacement projects.

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21 January 2010

Background Documents:
None