

Taunton Deane Borough Council

Executive – 4 February 2016

Capital Programme Budget Estimates 2016/2017

Report of the Finance Manager

(This matter is the responsibility of the Leader of the Council, Councillor John Williams)

IMPORTANT NOTICE FOR MEMBERS

In order for this item to be debated in the most efficient manner at the Executive meeting, Members are requested to contact the named officers at the end of this report in advance of the meeting with queries regarding points of detail or requests for further supporting information.

1 Executive Summary

The purpose of this report is for the Executive to consider and finalise its Draft Budget proposals for the 2016/17 General Fund and Housing Revenue Account Capital Programmes, for recommendation to Full Council on 23 February 2016.

The 2016/17 proposals for General Schemes have been prepared in line with limited capital resources being available. In addition, the draft 5 year Programme reflects the Council decision in principle to support the £16m in growth and infrastructure projects, reflecting the Council's strategy of setting aside the majority of New Homes Bonus grant to provide funding towards these schemes.

The draft General Fund capital programme totals £1.054m and the draft HRA capital programme includes proposed investment of £8.589m in the Council's housing stock. This includes major works, including adaptations, on existing dwellings and improvements to related assets.

2 Purpose

2.1 The purpose of this report is for the Executive to consider and finalise its Draft General Fund Capital Programme and HRA Capital Programmes, for recommendation to Full Council on 23 February 2016.

3 2016/17 Draft General Fund Capital Programme

3.1 In December, Members were provided with the initial draft capital programme ideas as part of the Members Budget Consultation Pack. The Pack set out the bids received from budget holders, and these have subsequently been reviewed by Executive Councillors for the draft budget. The current capital strategy includes the following basis for prioritising schemes:

- 1) Business Continuity (corporate/organisational/health and safety)
- 2) Statutory Service Investment (to get statutory minimum/contractual/continuity)
- 3) Growth / Transformation
- 4) Invest to Save
- 5) Other

3.2 The proposed **Draft General Fund Capital Programme for 2016/17 totals £1.054m**. Table 1 details bids submitted by officers for DLO schemes and Table 2 details bids submitted for other General Fund Schemes. The tables summarise the bids that have been presented by services for consideration.

3.3 The current Capital Programme in 2015/16 includes approved projects totalling £3,833,612. A copy of this year's programme is included in Appendix A for background information.

Table 1: Bids Submitted for DLO Schemes

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	DLO Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
DLO Vehicle Replacement	2	180	180				180
DLO Plant Renewal and Replacement	2	23	23				23
Ride on Mowers	2	60		60			60
Total		263	203	60			263

Table 2: Bids Submitted for General Fund Schemes

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
Grants to Halls and Sports Clubs	5	10	10				10
Play Equipment	2	55	55				55

Scheme	Priority	Cost £k	Possible Funding Options				
			RCCO £k	NHB Reserve £k	Capital Reserve £	Capital Grants £k	Total Funding £k
Replacement							
PC Refresh	1	35	35				35
Waste Containers	2	93	50		43		93
Orchard Centre Car Park Improvements	2	126	126				126
Members IT Equipment	2	4	4				4
Parish Play Area Grant Scheme	5	10			10		10
Cremator Brick Work	2	20			20		20
Cemetery IT System	2	50			50		50
Disabled Facilities Grants	2	388				388	388
Total		791	280	0	123	388	791
Combined Total		1,054	483	60	123	388	1,054

Capital Schemes Explained

- 3.4 ***DLO Vehicle Replacement £180k:*** This provides the DLO with a budget for the cost of the rolling programme of vehicle replacement. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.
- 3.5 ***DLO Plant £23k:*** This provides the DLO with a budget of £23k per year to replace small capital items of plant and equipment. This is funded from a yearly RCCO which is recovered from the DLO through capital charges.
- 3.6 ***Ride on Mowers x 2 £60k:*** To purchase two new replacement ride on mowers as part of the fleet replacement programme. This is proposed to be funded from the DLO Trading earmarked reserve.
- 3.7 ***Grants to Halls and Sports Clubs £10k:*** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs. The 2016/17 Capital Budget for this scheme is £10k, and currently £10k is included within the RCCO budget estimates for 2016/17 for this scheme.
- 3.8 ***Play Equipment Replacement £55k:*** Annual capital scheme to replace play equipment within the Council's 104 children's playgrounds. The 2016/17 Capital Budget for this scheme is £55k, and currently £55k is included within the RCCO budget estimates for 2016/17 for this scheme.
- 3.9 ***PC Refresh £35k:*** Annual PC refresh budget which plans for the entire desktop estate to be replaced on a rolling five year basis. The Windows 7 upgrade project replaced a large number of the oldest PCs last year so the 2016/17 requirement has reduced from the usual £60k to £35k, and currently £35k is included within the RCCO budget estimates for 2016/17 for this scheme.

- 3.10 **Waste Containers £93k:** This provides an annual budget of £93k to purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership. Currently £50k is included within the RCCO budget estimates for 2016/17 for this scheme, with £43k to be funded from earmarked capital reserves.
- 3.11 **Orchard Road Car Park Improvements £126k:** This is the last year in a four year project for improvement works to the car park. It is fully funded by RCCO included within the revenue budget estimates for 2016/17.
- 3.12 **Members IT Equipment £4k:** This is an annual budget for replacement of IT equipment for members. £4k is included within the RCCO budget estimates for 2016/17 for this scheme.
- 3.13 **Parish Play Area Grant Scheme £10k:** Capital grant scheme for parish councils and parish play area committees to apply for funding towards replacement play equipment and new playgrounds. Under the terms of the scheme the applicants may apply for up to 50% of the project cost subject to funding limits.
- 3.14 **Cremator Brickwork £20k:** The cremator brickwork requires repair and replacement. This scheme would take place over four years with £20k being the cost in 2016/17 and £139k over the life of the project.
- 3.15 **Cemetery IT System £50k:** The current IT system has been operational for nearly twenty years, unfortunately the platform it runs on is no longer supported by Microsoft and the current system has become outdated. The system holds statutory records for burial and cremation, manages accounts, memorial information and booking diaries.
- 3.16 **Disabled Facility Grants (Private Sector) £388k:** The Council has a statutory duty to provide grants to enable the adaptation of homes to help meet the needs of disabled residents. The grants are means-tested and it is currently estimated the Council will receive a grant of £388,000 from Somerset County Council's Better Care Fund, providing the necessary funding to make this scheme affordable. The actual grant for 2016/17 has not yet been confirmed therefore the same level of funding as 2015/16 is currently included in the draft capital budget.
- 3.17 The Executive is minded to support the proposed Capital Programme to incorporate all of the above bids, totalling £1.054m. This is affordable based on available funding, as shown later in this report.

4 Funding the Draft General Fund Capital Programme

- 4.1 Funding for capital investment by the Council can come from a variety of sources:
- Capital Receipts

- Grant Funding
- Capital Contributions (e.g. from another Local Authority/s.106 Funding)
- Revenue budgets/reserves (often referred as RCCO – Revenue Contributions to Capital Outlay)
- Borrowing

4.2 Tables 1 and 2 above summarise the proposed funding of the Draft Capital Programme for 2016/17 and they show that the proposed Capital Programme for 2016/17 is fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via SCC.

Funding Sources Explained

4.3 ***Capital Receipts General:*** These come from the sale of the Council's assets. The Council also receives regular receipts from the sale of Council Houses (Right To Buys), and a proportion is retained by the General Fund.

4.4 ***Capital Receipts Housing (non-HRA):*** These are capital receipts received which are ring-fenced to be spent on affordable housing initiatives. The principle has been supported by Full Council that any future external funding received for affordable housing should be allocated to affordable housing projects and automatically added to the Capital Programme.

4.5 ***Grant Funding:*** The Council receives capital grant for Disabled Facilities Grant. The estimated grant for 2016/17 is £388k. This funding is now rolled into the Better Care Fund (BCF) and it is the responsibility of the commissioners of the fund – the Clinical Commissioning Group (CCG) and Somerset County Council – to decide how the money is allocated. TDBC has representation on various groups to try and ensure our interests are protected.

4.6 ***Capital Contributions:*** This could take the form of capital contributions from other authorities or developers in the form of s.106 funding.

4.7 ***Revenue Funding (RCCO):*** The Council's draft budget includes an annual sum of £483k to fund capital expenditure from General Fund revenue budgets. For 2016/17 RCCO bids total £483k, which if supported through the approval of the 2016/17 Programme will fully commit the funding available.

4.8 ***Borrowing:*** This would be in the form of taking out a loan either from the markets or through the PWLB which would incur interest costs chargeable to the revenue budget. There is also "internal borrowing" which is treated the same as external borrowing for funding purposes, but uses cash balances rather than taking out a physical loan.

4.9 ***Capital Reserve:*** The Council has an earmarked Capital Reserve holding revenue resources previously set aside to fund capital spending. The current Reserve balance holds £483k in unallocated funds. The capital bids set out in Table 2 include four schemes that are proposed to be funded using £123k from this reserve, and would therefore reduce the unallocated balance to £360k (subject to any additional approvals made by the Council).

5 Capital Programme for Growth and Regeneration 2016/17

- 5.1 In addition to the above schemes which primarily deliver service continuity and improvements, Growth and Regeneration remains a top priority for the Council. This commitment has been reflected over recent years, by Members' allocation of New Homes Bonus (NHB) funding, primarily for growth and regeneration purposes.
- 5.2 At Full Council on 15 December 2015 Members also supported investment in principle of £16.6m from projected New Homes Bonus receipts towards a number of growth spend categories reflecting the priorities established in the Taunton Growth Prospectus and aligned with the relevant plans and priorities of key partners, such as Somerset County Council, Environment Agency, Local Enterprise Partnership and the business community. Having such funds allocated will enable the Council to respond quickly to commercial and funding opportunities to support growth, which in turn will facilitate the realisation of Taunton's economic vision and key economic benefits (as defined in the approved Taunton Growth Prospectus), such as: new homes, new enterprises, new and better jobs, increased employment land – new office space and industrial land, and a vibrant town centre.
- 5.3 Some £16m of the proposed £16.6m spend is expected to be recognised as capital expenditure (with revenue costs of £500k for Marketing, promotion and inward investment, and £100k for Preparation of Local Development Orders (LDOs)) and as such is included here as part of a proposed Growth Capital Programme (please refer to the Council papers for further background information). The table below shows the proposed capital costs which are planned to be funded from NHB receipts, in line with the Full council decision in December.

Proposed NHB Allocation and Indicative Spend Profile

Growth project / category	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total NHB allocation £
Taunton Strategic Flood Alleviation			1,000,000	1,000,000	1,000,000	3,000,000
Major transport schemes	400,000	800,000	1,000,000	300,000		2,500,000
Town Centre regeneration	500,000	750,000	750,000	500,000		2,500,000
Employment site enabling and innovation to promote Growth		2,000,000	2,000,000			4,000,000
Urban Extensions		1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
TOTAL CAPITAL COSTS	900,000	4,550,000	5,750,000	2,800,000	2,000,000	16,000,000

- 5.4 However the Autumn Statement and subsequent Provisional Settlement announcements suggested that Government consultation on a revision of the

NHB grant funding would effectively reduce the grant by a 1/3rd. The anticipated reduction in available future NHB funding has been updated within the MTFP.

5.5 Members are advised that reduced NHB would result in insufficient funds to cover all the proposed £16.6m spend within the anticipated timeframe (£16.0m capital and £0.6m revenue). The Council acknowledged this funding risk when it approved the investment in principle in December, and accepted that plans would need to be reviewed when updated funding information is confirmed. The following table shows the revised NHB forecast (which remains uncertain) and the gap in funding for the planned capital investment as a result.

5.6 In line with the resolution of the Council in December 2015, it is proposed to include £900,000 within the approved Capital Programme for 2016/17. Future years' investment remains indicative and subject to annual review.

Growth Capital Investment Funding

	2016/17	2017/18	2018/19	2019/20	2020/21	Total NHB allocation £
	£	£	£	£	£	
Indicative Capital Spend	-900,000	-4,550,000	-5,750,000	-2,800,000	-2,000,000	-16,000,000
Indicative Revenue Spend	-600,000	0	0	0	0	-600,000
Revised Estimated NHB receipt	3,877,612	3,416,310	2,669,363	2,309,739	2,126,961	14,399,985
Less Allocation to annual GF Budget	-392,000	-392,000	-392,000	-392,000	-392,000	-1,960,000
* Balance / Shortfall (-)	1,985,612	-1,525,690	-3,472,637	-882,261	-265,039	-4,160,015

* Excludes any unallocated balance brought forward from 2015/16

6 2016/17 Draft Housing Revenue Account Capital Programme

6.1 The proposed Draft HRA Capital Programme 2016/17 totals £8.589m. This is provided to deliver the prioritised capital investment requirements included in the current Business Plan for the next budget year. The current 5-Year HRA Capital Programme is shown below, which includes forecast capital expenditure requirements for the period 2016/17 to 2020/21, as identified in the Business Plan.

6.2 As Members will be aware a large scale stock survey has recently been approved. This survey will give greater understanding of the investment needed in our stock the coming years, up to the end of the Business Plan and therefore this is subject to change pending the outcome of the stock survey.

6.3 This report does not include schemes that have been previously approved where the spending is planned in 2016/17.

Table 3: Draft HRA Capital Programme 2016/17

Project	Total Cost £
Major Works	6,739,000
Improvements	155,000
Related Assets	0
Exceptional Extensive Works	260,000
Disabled Facilities Grants and Aids and Adaptations	435,000
Social Housing Development Fund	1,000,000
Total Proposed HRA Capital Programme 2016/17	8,589,000

- 6.4 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2016/17 at £8.589m. This is slightly less than the amount included in the Members Budget Pack issued in December, as explained further below under Related Assets.
- 6.5 It is proposed that the HRA capital programme for 2016/17 shown above is funded from the Major Repairs Reserve (from depreciation) and revenue contribution (RCCO) from the base budget.
- 6.6 A summary of the estimated funding available before the funding of the 2016/17 capital programme is shown in the table below:

Table 4: Funding Estimates

General Fund	2016/17 £k
Major Repairs Reserve	6,725
Revenue Contribution to Capital Outlay (RCCO)	864
Social Housing Development Fund	1,000
TOTAL Funding	8,589

Major Works

- 6.7 This line in the capital programme covers a number of areas of spend. The council is required to maintain decent homes standards ensuring items such as bathrooms, kitchens, doors, windows and heating are replaced as and when needed.
- 6.8 The detail used to make up the budget is shown in the table below and this is what the budget line is expected to be spent on. This is subject to change depending on factors such as contractor availability, any changes to the profile of spend will be agreed with the Director for the service.

Table 5: Major Works

Project	Total Cost £
Kitchens	120,000
Bathrooms	1,450,000
Roofing	100,000
Windows	50,000
Heating Systems	2,604,000
Doors	450,000
Fire Safety Work	225,000
Fascias and Soffits	750,000
Air Source Heat Pumps	680,000
Door Entry Systems	300,000
Cavity Wall Insulation	10,000
Total	6,739,000

6.9 Major Works includes the following:

- Kitchens: This is for the replacement of kitchens as and when required.
- Bathrooms: This is for the replacement of bathrooms as and when required.
- Roofs: Roofs are replaced as and when required.
- Windows: This project is to replace the oldest double glazed windows.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Doors: This project replaces doors for better energy conservation and security issues.
- Fascias, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works in Communal Areas: This is to fund works identified on the TDBC action plan following the fire in the communal area of a block of flats. The action plan was accepted by the Fire Service.
- Door Entry Systems: This is for the installation of door entry systems in all blocks of flats.
- Cavity Wall Insulation: The upgrade of cavity wall insulation in dwellings.

Improvements

6.10 This line in the capital programme also contains a number of areas of improvement spend identified through the HRA business plan. The detail of this budget is expected to be as shown in the table below but changes can be approved by the Director:

Table 6: Improvements

Project	Total Cost £
Sustainable Energy Fund	100,000
Environmental Improvements	50,000
Tenants Improvements Allowance	5,000
Total Improvements 2016/17	155,000

Related Assets

- 6.11 This line in the capital programme is for work to non-dwelling assets such as garages and sewage treatment works.
- 6.12 It is proposed that this budget is removed for a one year period. The reduction in Revenue Contribution to Capital Outlay (RCCO) would contribute towards the revenue budget gap in 2016/17. There are currently no planned programmes for 2016/17.
- 6.13 Works are expected to continue in 2017/18, however as with other capital budgets this will be revised within the Business Plan review.

Exceptional/Extensive Works

- 6.14 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. Survey work will be routinely undertaken every 5 years.

Disabled Facilities and Aids and Adaptations

- 6.15 This is an annual recurring budget for small and large scale home aids and adaptations in tenants' homes where there are mobility issues. This budget is demand led by requests from tenants or through recommendations by occupational therapists or other healthcare professionals. Applications are made through the Somerset West Private Sector Housing Partnership.

Social Housing Development Fund

- 6.16 The budget for the Social Housing Development Fund remains at £1m for 2016/17 and is for new development/redevelopment of housing.

7 Draft 5-Year Capital Programme

- 7.1 The draft 5-year capital programme is included for information and is shown in the table below.

Table 8: Draft 5-Year Capital Programme

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	5-Year Total £k
Capital Programme	8,589	8,873	9,015	9,159	9,289	44,925

8 Corporate Scrutiny Committee Comments

8.1 Corporate Scrutiny Committee considered the draft 2016/17 Capital Programme. There are no formal comments or recommendations provided for the Executive to consider in finalising its budget proposals.

9 Finance Comments

9.1 This is a finance report and there are no additional comments.

10 Legal Comments

10.1 Managers have considered legal implications in arriving at the draft proposed budget for 2016/17.

11 Links to Corporate Aims

11.1 The draft budget proposals for 2016/17 have been prepared with consideration to links with the Corporate Aims.

12 Environmental and Community Safety Implications

12.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2016/17.

13 Equalities Impact

13.1 Equalities impact have been considered regarding the draft Capital Programmes for the General Fund and HRA. As the Disabled Facilities Grant budget included in the Draft Budget remains at the same level as 2015/16 – i.e. no change – there is no requirement to undertake a full EIA for this budget. Impact assessments in respect on investment within the HRA have previously been included with the HRA Business Plan which has guided the draft budget proposals.

14 Risk Management

14.1 The risks associated with the proposed budget have been considered by services when preparing capital bids.

15 Partnership Implications

15.1 The private sector housing capital budget is managed on behalf of TDBC by

the Somerset West Private Sector Housing Partnership (SWPSHP).

14 Recommendations

- 14.1 The Executive recommends approval by Full Council of the General Fund Capital Programme Budget of £1.054m for 2016/17, plus £900k in respect of Growth and Infrastructure Capital Budget in 2016/17.
- 14.2 The Executive recommends approval by Full Council of the HRA Capital Programme of £8.589m for 2016/17.

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Cost Centre Name	Budget Holder	Approved Budget 2015-16 £	Slippage 2014-15 £	Supplementary Estimates 2015-16 £	Total Budget 2015-16 £
Community Leadership					
Swim Pool PV Cells	Simon Lewis	-	-	-	0
Total Community Leadership		-	-	-	0
Corporate Resources					
PC Refresh Project	Fiona Kirkham	60,000	2,600	-	62,600
Members IT Equipment	Richard Bryant	-	-	-	0
IT Infrastructure	Fiona Kirkham	-	23,200	-	23,200
SCCC Loan	Brendan Cleere	-	-	-	0
Gypsy Site	Jo Humble	-	25,000	-	25,000
Joint Mgt & Shared Services Project	Shirlene Adam	-	14,600	-	14,600
Single IT Platform	Heather Tiso	-	-	-	0
Special Expenses Play Grants	Richard Bryant	-	-	-	0
Total Corporate Resources		60,000	65,400	-	125,400
Environmental Services					
Waste Containers	Chris Hall	50,000	2,200	-	52,200
Mercury Abatement	Paul Rayson	-	3,800	-	3,800
Crematorium Chapel Roof	Paul Rayson	-	155,000	-	155,000
Cemetery Extension - Crematorium	Paul Rayson	-	-	-	0
Cemetery Vehicles	Paul Rayson	-	-	-	0
Total Environmental Services		50,000	161,000	-	211,000
Housing Services					
Energy Efficiency	Julie Payne	-	29,900	-	29,900
Landlord Accreditation Scheme	Julie Payne	-	5,000	-	5,000
Wessex Home Improvement Loans	Julie Payne	-	10,400	-	10,400
DFGs Private Sector	Julie Payne	388,000	34,300	-	422,300
Grants to RSLs	Jo Humble	-	455,600	-	455,600
Deane Helpline Equipment Replacement	Richard Burge	25,000	-	-	25,000
Total Housing Services		413,000	535,200	-	948,200
Ec Dev, Asset Management, Arts & Tourism					
DLO Vehicles Acquisitions	Chris Hall	180,000	104,600	-	284,600
DLO Plant	Chris Hall	23,000	7,500	-	30,500
PT Longrun Meadow Bridge C	Tom Gillham	-	25,000	-	25,000
PT High Street Project	Tom Gillham	-	700	-	700
DLO System	Chris Hall	-	102,400	-	102,400
PT Castle Green	Tom Gillham	-	-	-	0
PT High St Retail	Tom Gillham	-	2,800	-	2,800
PT Urban Growth	Ian Timms	-	0	-	0
PT Coal Orchard	Tom Gillham	-	2,500	-	2,500
PT Signage	Ian Timms	-	200	-	200
Brewhouse	Closed Codes	-	5,000	-	5,000
Thales Site	Tom Gillham	-	10,000	-	10,000

Creech Castle Improvements	Closed Codes	-	375,000	-	375,000
Firepool Access	Tom Gillham	-	33,000	-	33,000
Relocation of Tourist Information Centre	Ian Timms	120,000	28,000	-	148,000
Depot Relocation	Tom Gillham	0	-	-	0
Total Ec Dev, Asset Management, Arts & Tourism		323,000	696,700	-	1,019,700
Planning, Transport & Communications					
Paul Street Car Park Major Repairs	Tracey-Ann Biss	-	-	-	0
Canon St Car Park	Tracey-Ann Biss	-	900	-	900
Car Park Improvements	Tracey-Ann Biss	126,000	42,200	-	168,200
Total Planning, Transport & Communications		126,000	43,100	-	169,100
Sports Parks and Leisure (excluding S106)					
Grants to Halls and Sports Clubs	Debbie Arscott	10,000	-	-	10,000
Grants to Parishes Play Equipment	Debbie Arscott	10,000	7,500	-	17,500
Replacement Play Equipment	Debbie Arscott	20,000	4,100	-	24,100
Station Road Swimming Pool	Alison North	-	27,700	-	27,700
Blackbrook Swimming Pool	Alison North	-	748,400	532,512	1,280,912
Total Sports Parks and Leisure		40,000	787,700	532,512	1,360,212
Total GF (excluding s106)		1,012,000	2,289,100	532,512	3,833,612

