

Taunton Deane Borough Council

Executive – 8 February 2018

Capital Programme Draft Budget Estimates 2018/2019

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

Report Author: Andrew Stark, Interim Financial Services Manager

1 Executive Summary

- 1.1 The purpose of this report is to provide Members with the detail of the Draft 2018/19 Capital Programme and the proposed sources of funding.
- 1.2 The total cost of the Draft General Fund Capital Programme for 2018/19 is £3.797m, which is proposed to be funded through a combination of revenue contribution, capital grant, S106 income, growth reserves and borrowing.
- 1.3 The Draft Housing Revenue Account Capital Programme contains planned investment in major works (such as replacement heating systems, windows, doors, bathrooms etc), social housing development, aids and adaptations, and other related assets and improvements.
- 1.4 The total cost of the Draft Housing Revenue Account Capital Programme for 2018/19 is £8.973m, which is proposed to be funded through a combination of the Major Repairs Reserve, Social Housing Development Fund and capital receipts.

2 Recommendations

- 2.1 Executive recommends to Full Council to approve the new capital schemes of the General Fund Capital Programme Budget of £1.327m for 2018/19, plus £2.470m in respect of the Growth and Regeneration Capital Budget in 2018/19.
- 2.2 Executive recommends to Full Council to approve the HRA Capital Programme of £8.973m for 2018/19.
- 2.3 Executive recommends to Full Council that authority be delegated to the S151 Officer to approve adjustments to the 2018/19 Disabled Facilities Grant Capital Budget to reflect the final grant funding received from the Better Care Fund.

3 Risk Assessment (if appropriate)

Risk Matrix

Description	Likelihood	Impact	Overall
The funding of some of the General Fund Capital Bids relies on Revenue resources which may not be available due to unforeseen pressures on revenue budgets	3	4	12
<i>The revenue budgets are regularly monitored and alternative revenue resources are available if trading units/services fail to deliver the required surpluses.</i>	2	4	8

Risk Scoring Matrix

Likelihood	5	Almost Certain	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	4	Likely	Low (4)	Medium (8)	Medium (12)	High (16)	Very High (20)
	3	Possible	Low (3)	Low (6)	Medium (9)	Medium (12)	High (15)
	2	Unlikely	Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	1	Rare	Low (1)	Low (2)	Low (3)	Low (4)	Low (5)
			1	2	3	4	5
			Negligible	Minor	Moderate	Major	Catastrophic
			Impact				
Likelihood of risk occurring	Indicator						Description (chance of occurrence)
1. Very Unlikely	May occur in exceptional circumstances						< 10%
2. Slight	Is unlikely to, but could occur at some time						10 – 25%
3. Feasible	Fairly likely to occur at some time						25 – 50%
4. Likely	Likely to occur within the next 1-2 years, or occurs occasionally						50 – 75%
5. Very Likely	Regular occurrence (daily / weekly / monthly)						> 75%

4 2018/19 General Fund Capital Programme

4.1 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

4.2 The recommended General Fund Capital Programme for 2018/19 totals £3.797m. Table 1 details bids submitted for General Fund Schemes. The tables summarise the bids that have been presented by services for consideration.

4.3 The current General Fund Capital Programme in 2017/18 includes approved projects totalling £33.320m.

Table 1: Draft 2018/19 Capital Programme

Scheme	Cost £	Rank	Proposed Funding				Total Funding £
			RCCO £	Grants/ S106 £	Growth Reserve £	Borrowing £	
DLO Schemes:							
Vehicle Replacement	152,000	2	152,000				152,000
Plant and Equipment	23,000	2	23,000				23,000
Sub-Total	175,000		175,000	0	0	0	175,000
General Schemes:							
Lifeline Equipment	28,000	1	28,000				28,000
DFGs	720,000	2	0	720,000			720,000
Leisure Grants to Clubs and Parishes	15,000	5	15,000				15,000
TDBC Replacement Play Equipment	84,711	2	20,000	64,711			84,711
Desktop Hardware Refresh	50,000	1	50,000				50,000
New/Replacement Waste Containers	100,000	2	100,000				100,000
Members IT Equipment Replacement	4,000	2	4,000				4,000
Grants to RSLs	150,000	2		150,000			150,000
Sub-Total	1,151,711		217,000	934,711	0	0	1,151,711
Growth Schemes:							
Major transport schemes	550,000	3			550,000		550,000
Town Centre regeneration	965,000	3			965,000		965,000
Employment site enabling and innovation to promote Growth	855,000	3			855,000		855,000
Marketing Promotion and Inward Investment	100,000				100,000		100,000
Sub-Total	2,470,000		0	0	2,470,000	0	2,470,000
Grand Total	3,796,711		392,000	934,711	2,470,000	0	3,796,711

Capital Schemes Explained

- 4.4 **DLO Vehicle Replacement £152k:** 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.
- 4.5 **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.
- 4.6 **Deane Helpline £28k:** The service has just under 1800 Lifeline units installed in customer's homes. These units have a warranty of three years and on average a useful life of around 7 years before they require replacement. Some units do last longer but the average unit should be expected to remain in use for seven years. Each year we therefore need to replace 1/7th of our stock at an estimated cost of £25,000. Deane Helpline has also experienced significant growth over the last six months and additional units will be needed to maintain this growth therefore an additional £3,000 is included to fund yearly increase of 30 customers per year.
- 4.7 **Disabled Facility Grants (Private Sector) £720k:** 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 following confirmation of the grant to be received from Somerset County Council's Better Care Fund, the Council will receive £720k, providing the necessary funding to make this scheme affordable.
- 4.8 **Leisure Grants to Clubs and Parishes £15k:** Annual capital grant scheme for awards to voluntary village halls, community centres and sports clubs.
- 4.9 **Play Equipment Replacement £84k:** Annual capital scheme to replace play equipment within the Council's 104 children's playgrounds.
- 4.10 **Desktop Hardware £50k:** 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.
- 4.11 **Waste Containers £100k:** This provides an annual budget of £100k to purchase new and replacement waste and recycling containers (bins and boxes) as part of the ongoing costs of the Somerset Waste Partnership.
- 4.12 **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 2017/18 for this scheme.
- 4.13 **Grants to Registered Social Landlords £150k:** This scheme is ring fenced for the use of provision of new affordable housing. The funds consist of funding secured through the planning obligation process, capital receipts ring fenced for affordable housing and other capital receipts collected from developments in lieu of affordable housing on site.

4.14 **Growth Schemes:** See Section 6 below.

5 Funding the General Fund Capital Programme

5.1 Funding of 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

5.2 Table 1 above summarise the proposed funding of the Capital Programme for 2018/19 and they show that the proposed Capital Programme for 2018/19 is fully funded through a combination of revenue contributions (DLO and General), capital reserves plus grant funding provided via SCC.

Funding Sources Explained

5.3 **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.

5.4 **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.

5.5 **Grant Funding:** The Council receives capital grant for Disabled Facilities Grant. The confirmed grant for 2017/18 is £660k. 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.

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

5.7 **Revenue Funding (RCCO):** The Council's draft budget includes an annual sum of £401k to fund capital expenditure from General Fund revenue budgets. For 2018/19 RCCO bids total £392k, which if supported through the approval of the 2018/19 Programme would be affordable.

5.8 **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.

5.9 **Capital Reserve:** The Council has an earmarked Capital Reserve holding revenue resources previously set aside to fund capital spending. We currently hold no unallocated capital reserves.

6 Capital Programme for Growth and Regeneration 2018/19

6.1 Full Council, 15 December 2015 approved the allocation £16.6m of New Homes Bonus (NHB) funding over the five year period 2016/17 to 2020/21, to support it’s priorities relating to growth and regeneration. A number of ‘spend categories’ were approved, as follows:

- Taunton Strategic Flood Alleviation (£3m)
- Major Transport Schemes (£2.5m)
- Town Centre Regeneration (£2.5m)
- Employment site enabling and promoting enterprise and innovation (£4m)
- Marketing, promotion and inward investment (£0.5m)
- Supporting urban extension delivery (£4m)
- Preparation of Local Development Orders (£0.1m)

6.2 Full details of this allocation and the associated principles of spending were provided in the report to the Executive dated 3 December 2015.

6.3 The Executive report of 3 December highlighted the fact that the profile of spending over the five year period was indicative and would be refreshed annually, to ensure that spending plans remained aligned with an evolving picture of external funding secured, opportunities for new funding and new growth priorities.

6.4 The Growth and Regeneration Capital Budget approved to date totals £3.9m. If approved this further £2.470m till bring the total approved Growth and Regeneration Capital Budget to £6.370m.

6.5 Having now carried out the above mentioned annual review, a refreshed annual profile of spending on growth is proposed in the table below.

Indicative Growth and Regeneration Spend Profile:

New Homes Bonus Forecast as at 30 November 2017						
2017 Revised Spending profile	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	Totals £k
Taunton Strategic Flood Alleviation				1,000	4,000	5,000
Major transport schemes	400	50	1,500	2,000	0	3,950
Town Centre regeneration	200	1,215	1,050	400	185	3,050
Employment site enabling and innovation to promote Growth		55	1,700	1,245	500	3,500
New Garden Communities		0	100	200	200	500

Marketing Promotion and Inward Investment	100	100	100	100	100	500
Preparation of LDO's	50	50				100
Total expected investment	750	1,470	4,450	4,945	4,985	16,600

6.6 Members will note from the above table that the spending categories remain as originally approved and that no change is proposed to the overall allocation of £16.6m over the period 2016/17 to 2020/21.

6.7 Within the overall £16.6m allocation, members will note that changes to the original profile) are now proposed in some categories, namely:

- **Taunton Strategic Flood Alleviation** - The allocation towards the Flood Alleviation project has been increased in line with the Councils commitment to flood relief, by reallocation from the Urban Extension project.
- **Major Transport Schemes** – overall allocation increased from £3.5m to £3.9m mainly due to the Access & Signage project to provide the Variable Messaging System and Pay on Foot system.
- **Town Centre Regeneration** - overall allocation increased from £2.5m to £3.5m to enable the delivery of major Town Centre schemes, such as Firepool and Coal Orchard.
- **Employment sites, enterprise and innovation** – reduction to overall allocation to £3.5m due to a reduction in the J25 Nexus allocation
- **Supporting Urban Extension delivery** – overall allocation reduced from £2m to £0m due to reallocation to the Strategic Flood Alleviation project in 2020/21.

6.8 Subject to business case, the Council could also consider the use of prudential borrowing to provide additional capital resources.

7 2018/19 Draft Housing Revenue Account Capital Programme

7.1 The proposed Draft HRA Capital Programme 2018/19 totals £8.97m. 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 2018/19 to 2022/23, as identified in the Business Plan.

7.2 This report does not include schemes that have been previously approved where the spending is planned to be incurred in 2018/19.

Table 3: Draft HRA Capital Programme 2018/19

Project	Total Cost £k
Major Works	5,800
Improvements	150
Exceptional Extensive Works	492
Disabled Facilities Grants and Aids and Adaptations	381
Building Services Vehicles	121
Social Housing Development Fund	2,029
Total Proposed HRA Capital Programme 2018/19	8,973

- 7.3 Members are being asked to approve the Capital Maintenance and Improvement Works Programme budget for 2018/19 at £8.973m.
- 7.4 It is proposed that the HRA capital programme for 2018/19 shown above is funded from the Major Repairs Reserve (from depreciation), revenue contribution (RCCO) from the Social Housing Development Fund, and capital receipts (Right to Buy).
- 7.5 A summary of the estimated funding available before the funding of the 2017/18 capital programme is shown in the table below:

Table 4: Funding Estimates

	2018/19
General Fund	£k
Major Repairs Reserve	6,944
Social Housing Development Fund (RCCO)	1,170
Capital Receipts	859
TOTAL Funding	8,973

Major Works

- 7.6 This line in the capital programme covers a number of areas of spend. The Council is required to maintain decent homes standards ensuring items are replaced as and when needed.
- 7.7 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, and any changes to the profile of spend will be agreed with the Director for the service.

Table 5: Major Works

Project	Total Cost
	£
Bathrooms	1,400
Heating Systems	1,400
Fire Safety Work	1,000
Fasciae and Soffits	1,200
Insulation	800
Total	5,800

- 7.8 Major Works includes the following:

- Bathrooms: This is for the replacement of bathrooms as and when required.
- Heating Systems: The replacement and upgrade of boilers and heating systems.
- Fasciae, Soffits and Rainwater Goods: This is for replacement where necessary.
- Fire Safety Works: This is to fund works identified on the TDBC action plan following the fire in a block of flats. The action plan was accepted by the Fire Service.

- Insulation: The upgrade of insulation, for example cavity wall and loft insulation in dwellings.

Improvements

- 7.9 A budget of £150k for estate improvements is included in the HRA capital programme, as identified in the Business Plan.

Exceptional/Extensive Works

- 7.10 This project is for works such as asbestos removal and subsidence works to the Council's non-traditional properties. A budget of £492k is included in the 2018/19 programme for asbestos removal.

Disabled Facilities and Aids and Adaptations

- 7.11 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.
- 7.12 The demand for adaptations has been historically lower than budget and provision was made in the Business Plan for a phased reduction from £435k to £300k over a five year period. This will be done line with a number of steps being taken, such as moving towards more cost effective installations of wet floor shower rooms through a new fixed price contract; switching from concrete ramps to better value metal modular ramps; and a move toward stairlift loans and recycling, rather than purchases. These measures will ensure that the service stays within reduced budgets without impacting tenants.

Building Services Vehicles

- 7.13 The transfer of Building Services from the DLO to the HRA means that the HRA will need to hold a budget for any new/replacement vehicles needed. This will be funded from depreciation within Building Services, which has previously been included within the hourly rate to the HRA, and so does not increase the net cost to the HRA.

Social Housing Development Fund

- 7.14 The budget for the Social Housing Development Fund is for new development/redevelopment of housing. This budget represents an ongoing programme averaging 15 units a year. For 2018/19 this is increased to £2.03m.

Draft HRA 5-Year Capital Programme

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

Table 7: Draft HRA 5-Year Capital Programme

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5-Year Total £m
Capital Programme	8.973	9.616	9.748	7.665	7.769	43.771

8 Links to Corporate Aims / Priorities

8.1 The budget proposals for 2018/19 have been prepared with consideration to links with the Corporate Aims.

9 Finance / Resource Implications

9.1 As set out above.

10 Legal Implications

10.1 Managers have considered legal implications in arriving at the recommended budget for 2018/19.

11 Environmental Impact Implications

11.1 Environmental implications have been considered in arriving at the draft budget proposals for 2018/19.

12 Safeguarding and/or Community Safety Implications

12.1 Environmental and community safety implications have been considered in arriving at the draft budget proposals for 2018/19.

13 Equality and Diversity Implications

13.1 Equalities impacts have been considered regarding the Capital Programmes for the General Fund and HRA. No Equality Impact Assessments are required for the attached savings in the General Fund. An assessment in relation to Disabled Facilities Grants budget was included with the Budget Report in 16/17 and we have continued with the approved policy and the budget for 17/18 is materially the same. Therefore, an Equalities Impact Assessment has not been included with this report.

14 Social Value Implications

14.1 Procurement arrangements in respect of specific projects will be considered through the implementation of approved schemes, in line with the Council's procurement strategy.

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).

16 Health and Wellbeing Implications

16.1 Disabled Facilities Grants support the health and wellbeing of residents that need additional aids and adaptations in their own homes.

17 Asset Management Implications (if any)

17.1 The Capital Programme includes proposals to address asset management priorities.

18 Consultation Implications

18.1 None for the purpose of this report.

19 Scrutiny Comments / Recommendation(s)

19.1 Corporate Scrutiny Committee noted the report and supported the recommendations to Executive and Full Council to approve the General Fund and HRA capital programmes.

Democratic Path:

- Corporate Scrutiny – Yes
- Executive – Yes
- Full Council – Yes

Reporting Frequency: Annually

Contact Officers

Name	Andrew Stark	Name	Paul Fitzgerald
Direct Dial	01823 219490	Direct Dial	01823 217557
Email	a.stark@tauntondeane.gov.uk	Email	p.fitzgerald@tauntondeane.gov.uk

Name	Christopher Mainstone	Name	
Direct Dial	01823 219487	Direct Dial	
Email	c.mainstone@tauntondeane.gov.uk	Email	