

CAPITAL PROGRAMME 2017/18 – 2020/21

Cabinet Member Cllr Peter Hare Scott
Responsible Officer Andrew Jarrett Director of Finance Assets & Resources

Reason for Report: To seek approval of the 2017/18 Capital Programme and note the draft 2018/19, 2019/20 & 2020/21 programmes.

RECOMMENDATIONS: That the Cabinet recommend to Full Council:

- 1. The detailed Capital Programme for 2017/18 be approved and the estimated amounts for 2018/19, 2019/20 & 2020/21 be noted.**
- 2. To agree to earmark New Homes Bonus (NHB) monies of £471k to support the 2017/18 Capital Programme (see para 2.3).**

Relationship to the Corporate Plan: The Capital Programme identifies the capital investment proposed across all strands of the Corporate Plan over the next four years.

Financial Implications: The Capital Programme submitted for 2017/18 is fully funded; however this includes £5,114k anticipated PWLB borrowing to fund the development at the rear of the Town Hall. Future capital receipts are now estimated at such a low level that the Council needs to evaluate ways of making additional provision to fund its long term capital programme or reduce its property portfolio. This is especially relevant after recent announcements on the future of New Homes Bonus.

Legal Implications: See comments below in relation to spending of grants and receipts.

Risk Assessment: There is a risk of claw back of external funds if sums received are not spent in accordance with the terms on which they were given, or not within agreed timescales. Useable Capital Receipts for 2017/18 have been projected at a prudent level of £350k but there is a risk that if these do not materialise, the authority may need to delay scheme start dates to the following financial year or to make a revenue contribution to Capital to ensure full programme delivery.

1.0 Introduction

- 1.1** The proposed Capital Programme has been produced following detailed consultation with spending officers and is now mainly focused on essential asset maintenance, funding a range of private sector housing projects, modernisation of our refuse and recycling vehicles, ICT replacement and investment and ensuring that our existing housing stock is maintained to the decent homes standard. The programme also includes Council House

building projects and spend to save projects that will only be undertaken if a robust business case demonstrates an acceptable payback period. This year additional projects include: development at rear of the Town Hall, land acquisition for Affordable Housing and provision to contribute to DCC for the funding of the A361 junction to facilitate the Eastern Urban Extension.

- 1.2 A significant amount of work was undertaken when producing the Council's Medium Term Financial Plan (MTFP) during the late summer which helped to scope the size and funding of the 2017/18 capital programme. A number of subsequent meetings were held with service managers which focused on the essential projects (in terms of end of life asset replacement or health and safety) and involved reprioritising or rescheduling expenditure to future years.

2.0 The 2017/18 Capital Programme

- 2.1 Through reprioritisation of capital projects the Council has been able to set a balanced capital programme for 2017/18. Appendix 1 shows the proposed Capital Programme for 2017/18 which totals £13,175k.

- 2.2 The 2017/18 Capital Programme is fully funded by a combination of:

General Fund Project Funding Sources	Amount of Funding
S106 & Affordable Housing Contributions	1,865
Capital Reserve	71
DCLG (Disabled Facilities Grant)	490
New Homes Bonus (NHB)	450
Contrib from Private Sector Housing EMR	104
Contrib from Vehicle sinking fund EMR's	95
Contrib from ICT EMR	107
PWLB Borrowing	5,114
Total Funding General fund Projects	8,296
HRA Project Funding Sources	Amount of Funding
Contribution from existing Useable Capital Receipts	279
Use of forecast Useable Capital Receipts to be generated in 2017/18	350
MRA Reserve	2,278
New Homes Bonus (NHB)	21
Use of forecast Replacement Homes Capital Receipts to be generated in 2017/18	0
Contrib from Renewable Energy fund EMR	100
Contrib from Housing Maintenance Fund	1,851
Contrib from Affordable Rents Surplus EMR	0
Total Funding HRA Projects	£4,879k
Total Funding (GF & HRA)	£13,175k

- 2.3 The 2017/18 Capital Programme requires £471k (£450k General Fund + £21k HRA) of New Homes Bonus (NHB) funding to ensure it is balanced. Further contributions from NHB are required over the life of the MTFP, with the forecast contribution amounting to £2,881k for 2018/19, 2019/20 and 2020/21.
- 2.4 Recent announcements on NHB will see our annual receipt fall from circa £1.8m in 2016/17 to around £0.7m from 2018/19 onwards. Clearly this will have a major funding impact on the size of future capital programmes and will need to be factored into our next MTFP update.
- 2.5 A contribution is expected from the Housing Maintenance Fund (30 year maintenance plan) of £1,851k in order to deliver the HRA related projects identified in the 17/18 Capital Programme. Further contributions from this reserve will be required to deliver council house building aspirations identified in our MTFP amounting to £8,143k for 2018/19, 2019/20 and 2020/21. The remainder of these schemes will be mainly funded by a combination of useable capital receipts (general and replacement homes receipts) and to take advantage of current favourable PWLB borrowing rates. (See Para 4.2)
- 2.6 A deliverable programme of £2,278k has been identified to maintain our existing council house stock, the balance of available monies will remain in the Housing Maintenance Fund in order to deal with future additional spend that has been identified by the stock condition survey.
- 2.7 Appendix 2 shows the MTFP, which was presented at the October 2016 Cabinet. Appendix 1 shows, the 17/18 Capital Programme that has evolved from the MTFP and has been refreshed with up to date information on expenditure and funding as referred to in paragraphs 2.1 to 2.6 above. A summary of the subsequent 3 years is shown in the table below.

MTFP summary 2018/19, 2019/20 & 2020/21

	2018/19 (£k)	2019/20 (£k)	2020/21 (£k)
Total General Fund Capital Projects	2,672	2,922	1,588
Total HRA Capital Projects	9,982	11,091	7,093
Total GF & HRA Capital Projects	12,654	14,013	8,681

For a detailed breakdown please refer to Appendix 2

- 2.8 The further into the future we try to predict the more difficult it is to do with the same level of certainty, therefore although 2019/20 and 2020/21 give an indication of the likely resource required during these years, we will know with a greater level of certainty nearer the time, therefore the predicted level of expenditure may well change.

3.0 Funding the Capital Programme

- 3.1 NHB funding forms a substantial amount of the funding of this programme (as referred to in para 2.3 above) (£3,352k over the four years which includes £471k in 17/18). The significant change in NHB funding (referred to in para 2.4), will impact on our future capital programmes and they may need to be curtailed to match the funding we have available.
- 3.2 Due to the very low level of estimated new capital receipts for 2017/18, only a small number of new Council funded schemes have been incorporated in the Capital Programme. Council house sales have been predicted at 20 sales per annum for the life of this programme. The Government Pooling arrangements mean a proportion of the sale is pooled to the government, a proportion is retained in a ring fenced reserve for replacement house building (linked to the HRA self-financing arrangements that have been in place since 01/04/12) and the balance is retained by the authority as a useable capital receipt, which can be used to support our Capital Programme.
- 3.3 The projected level of usable capital receipts available for 2017/18 is £629k (this is made up of £350k, net of pooling, estimated to be generated from sales in 2017/18 and a contribution of £279k from existing Useable Capital Receipts). All other previously generated capital receipts have been used to balance the subsequent years of the MTFP.
- 3.4 The figures assumed for receipts from the sale of assets have been calculated prudently and therefore if any additional receipts are generated we can return to some of the projects which could not be funded in the first instance and consider their inclusion. Any such decision (subject to constraints within the financial rules) would require Full Council approval and be linked to the Corporate Plan priorities.
- 3.5 Due to the pressure on the revenue budget we no longer make a revenue contribution from the General Fund. Currently NHB funding enables this but the changes to our allocation of NHB may mean we need to alter this strategy in the future.

4.0 Council Borrowing

- 4.1 Prudent borrowing has been estimated for 2017/18, this will be used to fund the proposed project at the rear of the Town Hall, this is subject to a forthcoming design competition and once the successful Scheme is selected its cost will determine the amount of prudential borrowing required.
- 4.2 Borrowing is also envisaged in 2018/19, 2019/20 and 2020/21 to deliver the proposed Waddeton Park Council House Building Scheme. Borrowing is only considered in exceptional circumstances, whether in relation to the projects detailed above or for spend to save projects following a robust cost/benefit analysis exercise that would be able to demonstrate both an acceptable 'payback period' and that savings would be generated in excess of the annual revenue cost of servicing the debt.

5.0 Conclusion

- 5.1 As previously mentioned, the Capital Programme for the next four years is limited due to the scarce availability of funding. It is, therefore, imperative that capital funds are only spent on those projects which enable the Council to deliver its Corporate Plan objectives.
- 5.2 Due to the continuing austerity programme being implemented by Central Government the Council is beginning to explore more commercial options in order to balance budgets. Examples include: regeneration projects and land or building acquisition; any such projects will need to be justified through robust business cases. Projects of this type will need significant capital funding either from existing receipts or from longer term borrowing. All members will be kept informed of any developments in these areas.

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Background Papers: Capital Bid Submissions and workings for MTFP

File Reference None

Circulation of the Report: Management Team

MDDC 2017/18 CAPITAL PROGRAMME

Code	Responsible Officer Job Title	Scheme	Approved Capital Programme 2017/18 £000's
		<u>General Fund Projects</u>	
CA630	Estates Manager	<u>Exe Valley Leisure Centre</u> Exe Valley Leisure Centre - Replenish sand filters	25
CA631	Estates Manager	<u>Culm Valley Leisure Centre</u> CVSC replace end of life AC for fitness Gym	30
CA509	Estates Manager	<u>Pannier Market</u> Pannier Market - Improvement Project back log maintenance	60
CA510	Estates Manager	<u>MDDC Shops/Industrial Units</u> Energy Assessment works - new legislation - Indust Units/Shops/Mkt Walk	50
CA632	Estates Manager	<u>Play Areas</u> Play area refurbishment District wide - Amory Park Tiverton	50
CA460	Estates Manager	<u>Other Projects</u> Credition Office - Structural improvement work	30
CA461	Director of Finance, Assets & Resources	A361 junction to facilitate Eastern Urban Extension (funded by s106)	1,750
CA462	Estates Manager	<u>General Fund Development Schemes</u> Rear of Town Hall development site (6 Houses, 24 Apartments)	5,114
	Community Development & Regeneration Manag	<u>Economic Development Schemes</u> * Tiverton Pannier Market awnings & canopy (Note 1)	0
	Community Development & Regeneration Manag	* Harlequin Valley Project (Note 1)	0
	Community Development & Regeneration Manag	* Tiverton Town Centre improvements (Note 1)	0
CA433	Infrastructure & Support Manager	<u>ICT Projects</u> Unified Comms/telephony	107
CA456	Business Development /Project Manager	Digital Transformation replacement of CRM	50
CA463	Infrastructure & Support Manager	Secure Wifi replacement	50
CA464	Business Development /Project Manager	Parking System Replacement	40
CA465	Business Development /Project Manager	Replacement Queue System	30
CA466	Business Development /Project Manager	Core System Refreshes - Revs/Bens	20
CA467	Business Development /Project Manager	Replacement Estates/Property Systems	50
CA714	Waste and Transport Manager	<u>Replacement Vehicles</u> Medium Sweeper (Street Cleansing)	70
CA715	Waste and Transport Manager	Van Tipper (Grounds Maintenance)	26
CA716	Waste and Transport Manager	Ransomes Mower (Grounds Maintenance)	35
			7,587
CG217	Lead Officer (Private Sector Housing)	<u>Private Sector Housing Grants</u> Empty homes and enforcement	104
CG201	Lead Officer (Private Sector Housing)	Disabled Facilities Grants-P/Sector	490
			594
CA200	Housing Options Manager	<u>Affordable Housing Projects</u> Grants to Housing Associations to provide units (funded by commuted sums)	115
			115
		Total General Fund Projects	8,296

* Note 1 - Economic Development Schemes removed until satisfactory business Case produced.

Code	Responsible Officer Job Title	Scheme	Approved Capital Programme 2017/18 £000's
		HRA Projects	
CA100	Housing Building Manager	Major repairs to Housing Stock	2,278
CA111	Housing Building Manager	Renewable Energy Fund Spend	100
CG200	Housing Building Manager	Disabled Facilities Grants - Council Houses	299
CA135	Head of Housing & Property Services	Land acquisition for Affordable Housing	2,100
		HRA ICT Projects	
CA132	Business Development /Project Manager	Repairs - mobile replacement	30
CA133	Business Development /Project Manager	Tenancy Mobile	40
		HRA Replacement Vehicles	
CA134	Waste and Transport Manager	Van Tipper 4.5T (Responsive Repairs)	32
		Total HRA Projects	4,879
		CAPITAL PROGRAMME GRAND TOTAL	13,175

0

Code	Funding Stream	Approved Capital Programme Funding 2017/18 £000
	General Fund Projects	
9801	S106 & Affordable Housing Contributions	1,865
9990	General Capital Reserve	71
9701	Govt Grant (DCLG)	490
9727	New Homes Bonus (GF)	450
9957	Private Sector Housing Grants EMR	104
9990	Contribution from Sinking Funds	95
9990	Contribution from ICT EMR	107
9942	PWLB Borrowing	5,114
	Total General Fund Projects	8,296
	HRA Projects	
9980	* Useable Capital Receipts General to be generated in 2017/18	629
	* Contribution from existing Useable Capital Receipts £279k	
	* Balance to be generated in 2017/18 £350k	
9710	MRA Reserve	2,278
9727	New Homes Bonus (HRA)	21
9980	1-4-1 receipts reserve	0
9990	Renewable Energy Fund	100
9990	Housing Maintenance Fund	1,851
9990	Affordable Rents Surplus	0
	Total HRA Projects	4,879
	Grand Total (GF & HRA)	13,175

Medium Term Financial Plan 2017/18 - 2020/21 - Capital

Appendix 2

	Provisional Capital Programme 2017/18 £k	Estimated Capital Programme 2018/19 £k	Estimated Capital Programme 2019/20 £k	Estimated Capital Programme 2020/21 £k	Total £k
Estates Management					
Leisure - Site Specific					
Lords Meadow Leisure Centre					
Lords Meadow - Replace main pool filters		80			80
Lords Meadow - Tennis Courts surface and lining		25			25
LMLC pool tiling and balance tank repairs		25			25
Lords Meadow - Squash Court Climate Control				50	50
LMLC - Pool Cover			20		20
Exe Valley Leisure Centre					
Exe Valley Leisure Centre - Replenish sand filters	25				25
EVLC pool tiling and balance tank repairs		25			25
Evlc - Replace isolated CHP for Bio Mass Boiler (spend to save)		150			150
EVLC - Pool Cover				20	20
Culm Valley sports centre					
Culm Valley- Fitness Gym Extension			500		500
CVSC replace end of life AC for fitness Gym	30				30
Total	55	305	520	70	950
Other MDDC Buildings					
Pannier Market					
Pannier Market -Paving replacement		150			150
Pannier Market- Improvement Project back log maintenance	60				60
Phoenix House					
Phoenix House - Replacement BMS software				20	20
Phoenix House - AHU changes to allow cooling		100			100
General Car parks					
P&D resurfacing and lining - Becks Square Tiverton		50			50
MSCP Improvements					
MSCP refer to Matrix condition report			50		50
<i>Note - MSCP and Phoenix Lane access road resurfacing to be negotiated with Premier Inn project</i>					
MDDC Depot sites					
Lords Meadow Depot / repair asbestos panels			50		50
Old Road yard resurfacing		35			35
Old Road Depot - Asbestos panel replacement				50	50
Carlu Close - Potential Air Conditioning units		20			20
MDDC Shops/industrial Units					
Energy Assessment works - new legislation - Indust Units/Shops/Mkt Walk	50				50
Play Areas					
Play area refurbishment District wide - Amory Park Tiverton	50				50
Play area refurbishment District wide		50	50	50	150
Cemeteries					
Tiverton and Crediton Cemetery Chapel maintenance		50			50
Other Projects					
Land drainage flood defence schemes		50	50	50	150
Crediton Office - Structural improvement work	30				30
<i>Note - Town Centre Master Planning initial consultant costs will be revenue but affordable schemes identified will be highlighted in future Capital MTFP</i>					
General Fund Development Schemes					
Rear of Town Hall development site (6 Houses, 24 Apartments)	5,114				5,114
Total	5,304	505	200	170	6,179
Economic Development Schemes					
Tiverton Pannier Market awnings & canopy - I assume now flag as new project?? £150	150				150
*Cullompton Townscape Heritage Initiative (Subject to £1.152m HLF bid)		253	251	251	755
Harlequin Valley Project	200				200
Tiverton Town Centre improvements	40				40
Total	390	253	251	251	1,145

* Project to be delivered over 5 years therefore likely to be complete in 2022/23. Depending on successful HLF bid. At this stage equal cost £1,257k assumed over 5 year period & therefore will straddle this MTFP until 2022/23

	Provisional Capital Programme 2017/18	Estimated Capital Programme 2018/19	Estimated Capital Programme 2019/20	Estimated Capital Programme 2020/21	Total
ICT Projects					
Replacement PC estate		40			40
Unified Comms/telephony	107				107
Continuous replacement of WAN/LAN			100		100
Digital Transformation replacement of CRM	50				50
SQL/Oracles refreshes			100		100
Data centre hardware refresh servers/storage		120			120
Application Virtualisation /deployment		50			50
Secure Wifi replacement	50				50
Website development			20		20
Mobile/agile business transformation - estimate only for change of kit, servers and comms links		300			300
Project Liberty (SQL database and Information Services - Tech Refresh)			50		50
Parking System Replacement	40				40
Replacement Queue System	30				30
Core System Refreshes - Revs/Bens	20				20
Core System Refreshes - Uniform, eFinancials, Revs/Bens, HR				180	180
Replacement Estates/Property Systems	50				50
Leisure Technical Refresh - Portal Solution			35		35
Partnership Working			60		60
Total	347	510	365	180	1,402
					0
Affordable Housing Projects					
Grants to housing associations to provide houses (covered by Commuted Sums)	115	115	115	115	460
Affordable Housing initiative		300			300
Total	115	415	115	115	760
					0
Private Sector Housing Grants					
Empty homes and enforcement	104	106	108	110	428
Disabled Facilities Grants-P/Sector	490	500	510	520	2,020
Total	594	606	618	630	2,448
					0
Replacement Vehicles					
Recycling Collection					
Telehandler			67		67
Waste Collection					
Refuse Collection Vehicles			640		640
Street Cleansing					
Large Sweeper			120	120	240
Van Tipper			26		26
Medium Sweeper (Street Cleansing)	70				70
Property Services					
SWB Van		0	0		0
Grounds Maintenance					
Van Tipper	26	78	0	52	156
Ransomes Mower	35				35
Total	131	78	853	172	1,234
					0
TOTAL GF PROJECTS	6,936	2,672	2,922	1,588	14,118
					0
HRA Projects					
Existing Housing Stock					
Major repairs to Housing Stock	2,275	2,275	2,450	2,445	9,445
Renewable Energy Fund	100	100	100	100	400
Disabled Facilities Grants - Council Houses	299	307	315	322	1,243
Housing Development Schemes					
* Watery Lane Tiverton - Garage conversion (15 Units - Subject to design)			1,000		1,000
Waddeton Park Tiverton (70 Units)		3,000	3,000	3,000	9,000
* Round Hill Tiverton (21 Units - Subject to design)			3,000		3,000
* Replace end of life units (8 units)		2,000			2,000
* Affordable Housing on Council owned land		1,226	1,226	1,226	3,678
Land Banking for Affordable Housing	2,100				2,100
Commercial Development Schemes					
* Shapland Place Tiverton garage conversion (2-3 Units - Subject to design)		1,000			1,000
Note - consideration of land banking/demand for commercial developments					
HRA ICT Projects					
Repairs - mobile replacement (HRA)	30				30
Tenancy Mobile (HRA)	40				40
Total	4,844	9,908	11,091	7,093	32,936
					0
* Proposed Council House Building schemes subject to full appraisal					
HRA Replacement Vehicles					
Van Tipper 4.5T (Responsive Repairs)	32	32			64
Van Tipper 7T (Voids)		42			42
Total	32	74	0	0	106
					0
TOTAL HRA PROJECTS	4,876	9,982	11,091	7,093	33,042
					0
GRAND TOTAL GF + HRA	11,812	12,654	14,013	8,681	47,160
	0	0	0	0	0

	Provisional Capital Programme 2017/18	Estimated Capital Programme 2018/19	Estimated Capital Programme 2019/20	Estimated Capital Programme 2020/21	Total
FUNDING					0
					0
GENERAL FUND					
	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	Total £k
EXISTING FUNDS					
CAPITAL GRANTS UNAPPLIED (CGU)					
Govt Funding – Housing DFG	490	500	510	520	2,020
S106 Affordable Housing	115	115	115	115	460
Other CGU					0
Sub Total CGU	605	615	625	635	2480
Capital Receipts Reserve					0
Sub Total Capital Receipts	0	0	0	0	0
EARMARKED RESERVES (EMR)					
New Homes Bonus (NHB)	840	1279	1148	391	3,658
S106	0	0	0	0	0
Other EMR - PSH	104	406	108	110	728
Other EMR - ICT	107				107
Vehicle Sinking Funds	95	64	736	147	1,042
Sinking Funds LW	63	0	736	115	914
Sinking Funds CG - Grounds Maintenance	32	64	0	32	128
Sub Total EMR	1146	1749	1992	648	5,535
NEW FUNDS					
BORROWING					
Borrowing from Finance Leases					0
Borrowing from Public Works Loan Board	5,114				5,114
Sub Total Borrowing	5,114	0	0	0	5,114
REVENUE CONTRIBUTION FROM G FUND OTHER	0	0	0	0	0
Heritage Lottery Fund bid		232	230	230	692
Cullompton Town Council (Cullompton Townscape Heritage Initiative)		5	5	5	15
MDDC (Cullompton Townscape Heritage Initiative)		16	16	16	48
Other contributions - Capital Reserve	71	55	54	54	234
Sub Total Other	71	308	305	305	989
TOTAL GENERAL FUND FUNDING	6,936	2,672	2,922	1,588	14,118
HOUSING REVENUE ACCOUNT					
	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	Total £k
EXISTING FUNDS					
CAPITAL GRANTS UNAPPLIED (CGU)					
Govt Funding – Housing DFG					0
Other CGU					0
Sub Total CGU	0	0	0	0	0
CAPITAL RECEIPTS RESERVE (Replacement Homes)					
Capital Receipts Reserve	462	462	461	461	1,846
	629	630	630	630	2,519
	1,091	1,092	1,091	1,091	4,365
EARMARKED RESERVES (EMR)					
New Homes Bonus (NHB)	21	21	21	21	84
30 year maintenance plan	1317	3422	4357	364	9,460
Other EMR					0
Sub Total EMR	1338	3443	4378	385	9544
OTHER					
Major Repairs Allowance	2,275	2,275	2,450	2,445	9,445
Renewable Energy Reserve	100	100	100	100	400
Affordable rents surplus	72	72	72	72	288
Sub Total Other	2,447	2,447	2,622	2,617	10,133
NEW FUNDS					
BORROWING					
Borrowing from Finance Leases					0
Borrowing from Public Works Loan Board		3,000	3,000	3,000	9,000
Sub Total Borrowing	0	3,000	3,000	3,000	9,000
REVENUE CONTRIBUTION FROM HRA	0	0	0	0	0
TOTAL HRA FUNDING	4,876	9,982	11,091	7,093	33,042
MDDC GRAND TOTAL FUNDING	11,812	12,654	14,013	8,681	47,160
GF Funding Gap	0	0	0	0	0
HRA Funding Gap	0	0	0	0	0
TOTAL FUNDING GAP	0	0	0	0	0