

REPORT OF Strategic Manager (Resources)

To: Full Council

Subject: Capital Programme 2019/20 – 2025/26

Date: 25th February 2019

Reference:

**PURPOSE OF REPORT:** For Members to update the Capital Programme, for New PIDs and inflationary pressures, considering the recommendations from the Capital Member Event that was held on 29<sup>th</sup> November 2018.

## 1. Introduction

- 1.1. The Capital Programme is an ongoing forecast of capital investment in Torridge and the resources that are available to fund these plans.
- 1.2. This report sets out the challenges facing the council to ensure the capital programme is fully funded going forward. These are:
  - Inflation – Build cost / Tender Price inflation of existing capital projects.
  - New PID's – To maintain & improve the councils existing infrastructure
  - Funding Shortfall – Due to Inflation and additional PIDs, but also arising from any future changes to capital funding such as the “New Homes Bonus”.

## 2. Capital Programme Overview

- 2.1. Torridge's Capital Programme is an ongoing forecast of the resources the Council is planning to invest in its assets and future development opportunities and whilst projects are allocated to specific years by nature projects quite often span financial years and resources follow.
- 2.2. The existing approved Capital Programme includes planned investment of £23.2m over the period 2018/19 to 2022/23 (5years).
- 2.3. The revised Capital Programme (See 3 below) has been updated for inflation, which has arisen from projects being postponed to future years. This update has also been prepared over 7 years rather than the previous 5, to include the funding of the next round of refuse vehicles in 2025/26. This has increased the Capital Programme to £27.8m.
- 2.4. All capital projects proposed for inclusion in the Council's Capital Programme must be supported by a Project Initiation Document (PiD). The PiD will outline in sufficient detail what the project entails, the costs and benefits it is expected to achieve with particular reference to how it will contribute to Torridge's Strategic Plan and the plans for implementation. (See 4 below – for recommended new PIDs)
- 2.5. After the Capital Programme has been updated with the new PIDs, this increases the Capital Programme to £28.8m. Total funding (current and expected in the future) is £24.6m. This gives a shortfall (funding gap) of £4.2m.
- 2.6. The Member event on 29<sup>th</sup> November 2018 considered the funding gap and gave recommendations of how this could be closed (see 5 below)

### 3. Revised Capital Programme 2019/20 to 2025/26 (7 Years)

3.1. Capital Programme extended to 2025/26 to include next refuse fleet cycle, and updated for build cost / tender price inflation:

Project	Type	Approved 18/19 to 22/23 (5 yrs)	Extend to 25/26	Inflation / Adj	18/19 Spend to date	Cap Prog 19/20 to 25/26 (7 yrs)
Car Park Refurbishment Program	CarPs	214	-	10	-	223
Wilkey Field Car Park	CarPs	204	-	453	4	653
Honestone St Car Park	CarPs	85	-	4	-	89
Rugby Ground Car Park	CarPs	50	-	2	-	52
West Appeldore Car Park	CarPs	30	-	1	-	31
Depot provision	Depot	4,623	-	847	19	5,451
Disabled Facilities Grant	DFG	2,624	266	-	595	2,295
Affordable Housing	Hous	308	-	-	50	258
Decent Homes Funding	Hous	128	-	-	1	127
Linear Defence - Westward Ho!	Enviro	451	-	-	-	451
Northam Burrows Estuary Works	Enviro	120	-	37	-	157
Torrige Cemetery Extension	Enviro	105	-	39	-	144
Torrige Bowling Club Wall	Enviro	40	-	6	-	46
Gypsy & Traveller Site Provision	Infra	613	-	-	-	613
Capital Improvement Program	Infra	289	-	114	212	191
Torrige Pool Boilers	Infra	145	-	(65)	44	36
Victoria Park Paths & Services	Infra	100	-	-	-	100
Cattle Market Demolition	Infra	78	-	49	47	80
Barton Hse Hostel Re-modelling	Infra	77	-	-	-	77
Bideford Skate Park	Infra	50	-	77	10	117
Westward Ho Seawall	Infra	50	-	-	-	50
Caddsdwn Telephony	Infra	20	-	3	-	23
Church View Weare Giffard	infra	15	-	1	-	16
Northam Burrows Gabions	Infra	12	-	-	-	12
Lighting upgrade to LED	Infra	12	-	5	16	0
IT Replacement	IT	269	400	-	102	568
Capital Digitilsation	IT	100	-	-	1	99
Folder/Inserter Equipment	IT	6	-	-	6	-
Holsworthy Agri Business	Regen	2,600	-	657	-	3,257
Caddsdwn Phase 3 Land & Servicing	Regen	2,350	-	764	-	3,114
Burrows Centre	Regen	1,735	-	413	7	2,140
Caddsdwn Phase 2 Plot 3	Regen	817	-	293	8	1,102
Holsworthy Agri Phase 2 Commerical Land	Regen	47	-	-	(0)	47
Westward Ho! - Seafront improvements	Regen	46	-	-	2	44
Westward Ho! - Development Sites	Regen	40	-	-	22	18
Bucks Mill Lime Kiln	Regen	31	-	-	-	31
Cleave Wood	Regen	1	-	-	3	(2)
Torrige Transformation	TT	455	-	(8)	446	-
Vehicle Replacement Program	V&P	2,634	4,044	-	1,629	5,049
Strategic Property Reserve	Strategic	1,500	-	(175)	224	1,102
Other projects – now ended		119	-	(119)	-	-
		23,192	4,710	3,407	3,446	27,863

### 3.2. Sources of Funding:

The levels of financing available to meet capital investment has also been reviewed including forecast sales of council assets (capital receipts), external grant contributions and sums allocated from the receipt of new homes bonus. The total level of financing forecast over the period 2018/19 to 2025/26 is currently estimated to be £24.6m (including prudential borrowing linked to the proposed acquisition and development of a waste and recycling depot), which is £3.3m below the total amount of investment currently proposed for inclusion in the Capital Programme. The table below summarises the various projected sources of Capital Financing

Capital Programme 18/19 to 25/26	Inflation Adjusted Program
<b>Existing Capital Resources</b>	
Capital Investment Reserve	5,084
IT Equipment Reserve	129
Vehicle Replacement Reserve	-
Future Service Development Reserve (Waste Review)	-
Economic Regeneration Reserve	1,077
Capital Receipts	-
Disabled Facilities Grant	295
Coastal Communities Grant	144
<b>Subtotal</b>	<b>6,729</b>
<b>Forecast Capital Funding</b>	
New Homes Bonus Income (2019/20 - 2025/26)	3,149
Capital Receipts (Right to Buy - former Council Housing)	300
External Grants	4,100
Sale Receipts	2,300
Disabled Facilities Grant	2,000
Contribution from Devon Business Rate Pilot	200
Prudential Borrowing (Refuse Depot) **	4,000
Additional Contributions from Revenue	1,798
<b>Subtotal - Projected Sources of Capital Funding</b>	<b>17,847</b>
<b>Total Projected Capital Funding</b>	<b>24,576</b>

### 3.3. Funding Shortfall / Funding Gap:

<b>Capital Programme 18/19 to 25/26</b>	<b>27,863</b>
<b>Total Projected Capital Funding</b>	<b>24,576</b>
<b>Funding Shortfall / Gap</b>	<b>(3,287)</b>

#### 4. New Capital PIDs

- 4.1. All Members were invited to attend a presentation of the new PiDs were presented at the Town Hall on the 29<sup>th</sup> November 2017. The projects are at different stages, some are ready to be included in 2019/20 programme, others require further development before inclusion in a future year's programme and others are dependent upon future grant funding bids or confirmation of the availability of Section 106 funds before the scheme can be progressed.
- 4.2. All the projects are reviewed and challenged by the Asset and Capital Monitoring Group (ACMG) prior to them being presented to Members and reported to the Community & Resources Committee. Consideration is also given to the organisational capacity of the council to deliver the projects in the required timeframe.
- 4.3. PiDs are scored against these specific criteria at the member event in order that can where necessary they can be prioritised. In the current round ten PiDs have been submitted of which nine were recommended (one of which does not fall under the capital program, see 5 on CLT's below) , with an estimated total level of investment required of £939K between 2019/20 and 2023/24. The eight new capital schemes are summarised in the table below

PID - Name	Description	£'000s
C177 - Pannier Mkt	Upgrade the surface water system, to prevent future flooding	45
C178 - Play Area Program	5 year Play Area refurbishment programme - Replacements and upgrades for equipment that is at end of life	340
C179 - Torrington ATP	Resurface Torrington Artificial Turf Pitch (ATP) - Requirement of original grant, if not replaced then may have to repay grant (£405K)	150
C180 - Torrington Sports Hall	Refurbish Torrington Sports Hall	60
C181 - Town Hall Library Roof	Repairs to front wall of Library due to movement. Required major works to roof of Town Hall.	40
C183 - CCTV	Replace CCTV monitoring equipment in control room, and 4 cameras per year for next 4 years.	39
C184 - Calf Street	Calf Street Play Park - Phase 1 contribution	25
C186 - IT	IT Desktop Strategy for next 5 years Full cost £600K, but £360K funded from existing NHB IT contribution.	240
<b>Total (recommended PIDs)</b>		<b>939</b>
C176 - Fountain*	Bideford Quay Fountains overhaul and renewal	20
<b>Total PIDs</b>		<b>959</b>

\*The fountain PID was not recommended as it was felt that it should be put on a reserve list and considered at a future date.

The ninth scheme recommended does not fall under the capital program, this relates to Community Land Trusts (CLTs) see 7 below.

4.4 The revised Capital Programme incorporating the above projects, should they be approved would be:

Project	Remaining 18-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Car Park Refurbishment Programme	0	223	-	-	-	-	-	-
Wilkey Field Car Park	653	-	-	-	-	-	-	-
Honestone St Car Park	-	89	-	-	-	-	-	-
Rugby Ground Car Park	-	52	-	-	-	-	-	-
West Appeldore Car Park	-	31	-	-	-	-	-	-
Depot provision	0	-	5,451	-	-	-	-	-
Disabled Facilities Grant	295	500	500	500	500	-	-	-
Affordable Housing	-	28	60	70	100	-	-	-
Decent Homes Funding	17	10	20	30	50	-	-	-
Linear Defence - Westward Ho!	-	-	451	-	-	-	-	-
Northam Burrows Estuary Works	-	-	157	-	-	-	-	-
Torrige Cemetery Extension	-	-	-	144	-	-	-	-
Torrige Bowling Club Wall	-	46	-	-	-	-	-	-
Gypsy & Traveller Site Provision	-	613	-	-	-	-	-	-
Capital Improvement Programme	91	50	50	-	-	-	-	-
Torrige Pool Boilers	36	-	-	-	-	-	-	-
Victoria Park Paths & Services	-	100	-	-	-	-	-	-
Cattle Market Demolition	80	-	-	-	-	-	-	-
Barton Hse Hostel Re-modelling	-	-	77	-	-	-	-	-
Bideford Skate Park	42	75	-	-	-	-	-	-
Westward Ho Seawall	-	-	50	-	-	-	-	-
Caddsdwn Telephony	23	-	-	-	-	-	-	-
Church View Weare Giffard	-	16	-	-	-	-	-	-
Northam Burrows Gabions	12	-	-	-	-	-	-	-
Lighting upgrade to LED	(0)	-	-	-	-	-	-	-
IT Replacement	8	80	80	80	80	80	80	80
Capital Digitisation	99	-	-	-	-	-	-	-
Folder/Inserter Equipment	1	-	-	-	-	-	-	-
CEDAR Upgrade	(1)	-	-	-	-	-	-	-
Holsworthy Agri Business	-	-	-	3,257	-	-	-	-
Caddsdwn Phase 3 Land & Servicing	-	-	-	-	3,114	-	-	-
Burrows Centre	17	825	1,298	-	-	-	-	-
Caddsdwn Phase 2 Plot 3	1,102	-	-	-	-	-	-	-
Holsworthy Agri Phase 2 Commerical	47	-	-	-	-	-	-	-
Westward Ho! - Seafront improvements	0	44	-	-	-	-	-	-
Westward Ho! - Development Sites	18	-	-	-	-	-	-	-
Bucks Mill Lime Kiln	7	6	6	6	6	-	-	-
Cleave Wood	(2)	-	-	-	-	-	-	-
Torrige Transformation	(0)	-	-	-	-	-	-	-
Vehicle Replacement Programme	533	95	233	264	526	594	89	2,715
Strategic Property Reserve	102	400	300	200	100	-	-	-
C177 - Pannier Mkt		45	-	-	-	-		
C178 - Play Area Programme		125	40	40	25	110		
C179 - Torrington ATP		150	-	-	-	-		
C180 - Torrington Sports Hall		60	-	-	-	-		
C181 - Town Hall Library Roof		40	-	-	-	-		
C183 - CCTV		16	7	8	8	-		
C184 - Calf Street		25	-	-	-	-		
C186 - IT*		480	(60)	(60)	(60)	(60)		
	3,181	4,225	8,720	4,538	4,449	724	169	2,795
								<b>28,802</b>

\*Note: C186 IT project uses a portion of the revenue IT capital contribution from future years to fund the expenditure in 2019/20

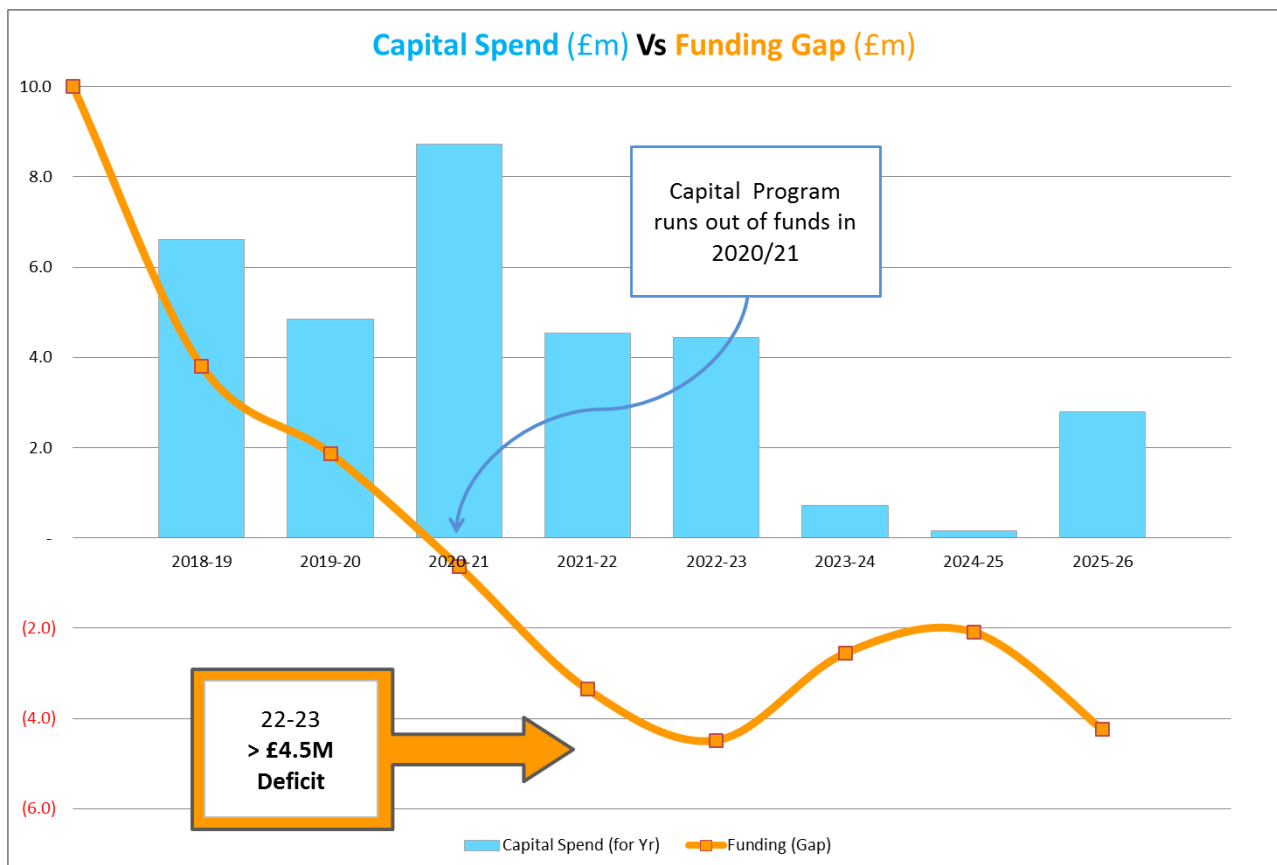
- 4.5. Members should consider, which projects they wish to be included in the Capital Programme (copies of the PIDs are available for review) and a brief outline of the project with be provided as part of the presentation of the report where it is not self-explanatory.
- 4.6. Resource limitations do not allow for the inclusion of all projects into the programme and some may not prove to be feasible/viable.
- 4.7. If Members approve these new PIDs then the Funding Shortfall / Funding Gap increases to £4.2m:

<b>Capital Programme 18/19 to 25/26</b>	<b>28,802</b>
<b>Total Projected Capital Funding</b>	<b>24,576</b>
<b>Funding Shortfall / Gap</b>	<b>(4,226)</b>

- 4.8. The Capital Member event on the 29<sup>th</sup> November 2018, looked at options to close this gap (see 5 below)

## 5. Closing the Gap – Member Event Recommendations

### 5.1. Capital Programme and Funding Gap:



5.2. Options to bring the capital programme back in to balance:

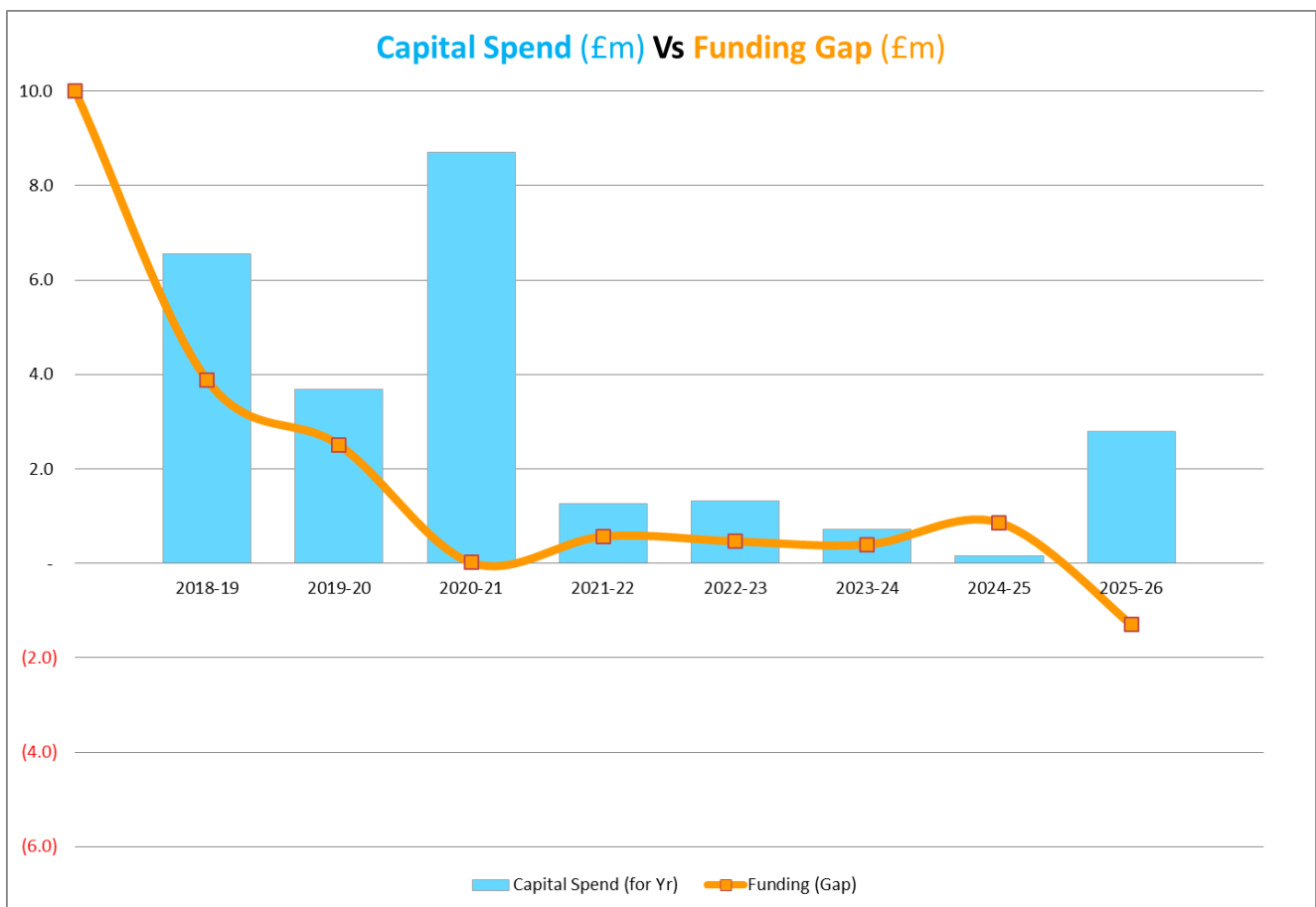
- Bridge gap by borrowing BUT every extra £1m borrow equals £80k per annum\* charge against the revenue budgets, which are currently projecting a funding shortfall (\* assume repayment over 20 years)
- Determine that schemes may only proceed, if they are self sufficient, e.g. income generated exceeds financing costs.
- Don't build, or postpone until funding is identified

5.3. Member Event recommendations to close the gap:

Reduce the Gypsy & Traveller Site Provision to £100K	513
Reduce the Strategic Property Acquisition fund to fund the 100K for G&T site	100
Holsworthy Agri Business Phase 2 – Change to self financing	1,204
Caddstown Phase 3 - Change to self financing	1,114
<b>Total Savings</b>	<b>2,931</b>

5.4. These saving recommendations reduce the funding gap as follows:

- Capital Programme balanced until 2024/25
- £3m worth of savings identified



Note: After these savings there is still a funding gap in 2025/26 of £1.3m

## **6. Future Funding Risks & Maintaining Existing Infrastructure**

- 6.1. It should be noted that even with the savings identified at the member workshop, that there are no excess funds left in the capital programme extending out to 2024/25, and there is a £1.3 million shortfall in 2025/26.
- 6.2. Therefore there is little if any room for new capital projects in the foreseeable future. This means that in the years ahead there is no funding available for any major works that might be required to maintain the councils existing infrastructure.
- 6.3. Future funding = £17.8m (see 3.2 above), of which the largest element that is not project specific is £3.1m of funding from New Homes Bonus. Members should note that there is a risk to this funding, arising from central government either changing the calculation or ending the scheme in its entirety.
- 6.4. Option to close the remaining £1.3m gap:
- New Refuse Depot £5.5m (£4m of PWLB borrowing) - £1.5m cost from capital reserves.
    - Borrow the entire cost of the new depot (e.g. up to £5.5m), and
    - Only proceed with the new depot if the projected savings of moving to a single site cover the cost of the borrowing.

## **7. Community Land Trusts (CLTs) – Revolving Loan Fund £600K**

- 7.1. A Capital PID has been submitted for a revolving loan fund for community land trusts. This does not meet the definition of capital, so falls outside the capital programme. It does still require member approval and support to proceed
- 7.2. Aim:
- Support affordable housing in the wider Torrington area.
- 7.3. Cost:
- The £600K loan fund can be borrowed from the PWLB
  - The interest is charged to the CLTs on any loans, which will cover the interest due to the PWLB:
- 7.4. Key Points:
- £600K Revolving Loan Fund for CLTs to borrow from
  - Loans from £75K to £150K
  - Loans are secured with a legal charge against the land/property
  - Interest charged on the loans at the European Reference Rate in order to be state aid compliant
- 7.5. Similar schemes from other councils:
- Cornwall support CLTs through loans
  - East Devon support the “Beer Community Land Trust” (and borrow the funds from the PWLB)



## **Implications**

### Legal Implications

The Council is required to set a balance annual budget

### Financial Implications

These are contained in the report

### Substainability Implications

These will form part of detail budget considerations

### Compliance with Policies and Strategies

Forms part of the strategy process

### Lead Member Views

Councillor Hurley:

Date of Consultation – 24<sup>th</sup> January 2019

“The funding gap on the Capital program is of concern, the gap manifest itself most evidently in 2025/26 when the front line refuse fleet is due for renewal.

The future sources of capital funding are uncertain; in particular the current New Homes Bonus scheme in its current form comes to an end in 2019/20. Currently 50% of New Homes Bonus is allocated to capital.

Members should note that the funding gap does not take into account any new Capital scheme members may wish to approve in future years.

It is therefore vital that members in conjunction with officers review the Capital Program in order to identify options for bridging the funding gap”.

## **Recommendations:**

### **Recommend to Full Council**

8. That:

- a) The Capital Programme update for inflation, listed at 3.1, is approved.
- b) The inclusion of the Capital Projects (PiDs) listed at 4.3 into the Capital Programme 2019/20 to 2025/26 are approved.
- c) The recommendations from the member event to close the gap listed in 5.3 are approved
- d) Borrowing up to £600K from the PWLB to create a revolving loan facility for CLTs to support affordable housing, listed in 7, is approved.
- e) Members note that even after approval of the above recommendations, there is still a shortfall in 2025/26 of £1.3m
- f) In light of the projected deficit on the Capital program of £1.3m that the Capital Program be reviewed by members in conjunction with officers in order to determine options to address the capital funding gap. The deadline for the review being the 30<sup>th</sup> September 2019.

## **SUPPORTING INFORMATION**

Consultations:                      Date of Consultation – 24 January 2019

Leader - Councillor J Whittaker  
Deputy Leader – Councillor D Hurley

Officers Consulted –  
Head of Paid Service  
Senior Solicitor

Contact Officer:                      Steve Hearse – Strategic Manager (Resources)

Background Papers:  
Appendix 1