

Cabinet

6 April 2021

Capital programme 2021/22

For Decision

Portfolio Holder: Cllr G Suttle, Finance, Commercial & Capital Strategy

Local Councillor(s): all

Executive Director: T Leavy, Executive Director of People - Children

Report Author: Jim McManus

Title: Corporate Director, Finance & Commercial

Tel: 01305 221235

Email: jim.mcmanus@dorsetcouncil.gov.uk

Report Status: Public

Recommendations:

That Cabinet:

1. reviews the capital programme being proposed by the Capital Strategy and Asset Management Group (CSAM) for the period 2021/22 to 2025/26, and beyond and approves those projects scheduled to commence in 2021/22 that it wishes to progress;
2. notes the impact on future capital budgets if it approves the two projects where there would be contractual commitments beyond 2021/22;
3. agrees to pause on any further release of funds at this stage, given the commitment to the St Mary's school site and that a further review is carried out as part of the 2020/21 capital closedown process.

Reason for recommendations:

The budget process and timetable for 2021/22 was very tight and although a programme total was agreed, individual projects were not sufficiently developed, and more time has been needed to bring these investments forward.

1. Executive summary

In approving the 2021/22 budget on 16 February 2021, Dorset Council allocated £15m of new capital funding for specific projects that had not been prioritised at that stage. This paper brings forward recommendations from officers for projects to be funded from that total.

Appendix 2 of this paper then summarises the potential full programme for 2021/22, excluding projects which will not complete in 2020/21 and which will be rolled forward.

2. Financial implications

All financial considerations were drawn out in the budget strategy report to Council on 16 February 2021 and in the body of this report.

3. Well-being and Health Implications

None.

4. Climate implications

A number of capital bids dealing with the climate and ecology action plan are also being introduced, with investment potentially being required from 2022/23, to complement potential future grant funding from central government.

5. Other Implications

None.

6. Risk Assessment

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

7. Equalities Impact Assessment

The capital programme recommended in this report is an extension of the budget strategy approved by the Council on 16 February 2021. The budget and capital programme are part of a financial framework within which the Council achieves its priorities.

The budget has not been the subject of a separate equality impact assessment but the individual projects forming part of the capital programme will be reviewed for equalities impacts as part of programme delivery.

8. Appendices

1. Programme recommendation to Cabinet.
2. Potential full programme 2021/22 and beyond.
3. Summary descriptions of main projects being proposed.

9. Background Papers

Budget strategy report 2021/22

10. Background to recommendations

- 10.1 Dorset Council established the Capital Strategy and Asset Management Group (CSAM) in 2019 as an officer group to develop a framework for

- evaluating proposals for capital funding and having made its own assessments, to make onward funding recommendations to Cabinet.
- 10.2 The evaluation framework developed by CSAM means all bids for capital funding are assessed against the criteria set out below. Projects do not need to satisfy all criteria, but they must satisfy at least one:
- required to be safe and legal
 - supporting economic growth/protecting the local economy
 - a corporate priority
 - clear environmental benefit
 - social value
 - cost avoidance
 - cashable savings.
- 10.3 Appendix 1 shows the evaluation for each of the proposals coming to Cabinet and continues to analyse proposed projects in line with Cabinet's requirement, ie those which are partially funded by external resources and those which are funded only from Dorset Council resources.
- 10.4 Under the new Weymouth Harbour Revision Order, from April 2021 the Harbour Authority's funding will be held separately from Dorset Council's funding. Whilst the costs of deep dredging (£200k) in 2021/21 should be met by the Harbour Authority, funding will be underwritten by Dorset Council.
- 10.5 Whilst projects that are funded entirely from external resources technically do not need Cabinet *funding* approval, they are included in any programme submissions for completeness. However, none have been identified at this stage.

11. Affordability

- 11.1 The cost to the Council of the projects recommended by CSAM is £10.59m in 2021/22. Provision was made in the budget for £15m of capital expenditure, so approval of the full amount would leave headroom for allocation to projects that emerge during the year.
- 11.2 However, Cabinet has also already approved significant capital expenditure on the St Mary's school site, and this will more than offset the headroom available. It is therefore recommended that no further plans are developed for capital expenditure at this stage and a further review of programme capacity is carried out after the 2020/21 accounts are closed and the capital outturn is clear.
- 11.3 Appendix 2 shows the programme that was approved plus the additional commitments and this causes a borrowing requirement of around £47m. This is broadly affordable in the revenue budget, but the programme will need review after 2020/21 closes to ensure clear alignment of the revised

project timelines, borrowing costs and the savings from slippage of the current year's programme. Commitment to the SEND capital strategy was also given after the MTFP revenue budget had been set, so capital financing costs for 22/23 and beyond will definitely need to be re-based.

- 11.4 It is important to understand the capital programme's funding requirements before the Medium-Term Financial Plan (MTFP) is updated as part of the budget strategy work for 2022/23. Understanding the impact on capital financing in the revenue budget is critical in establishing an ongoing capital programme and investment strategy that is sustainable. It is therefore recommended that no further capital expenditure is considered beyond that contained in this paper.

12. SEND capital strategy

- 12.1 Cabinet is reminded that when members met on 8 December 2020, they approved the SEND capital strategy and committed future capital funding to a programme of work to deliver increased SEND specialist provision across the county to support the mitigation of the deficit on the High Needs Block.
- 12.2 The acquisition of the St Mary's site, subject to the outcomes of the consultation, will be part of that. In total, Cabinet agreed funding of between £35m and £40m, subject to feasibility studies and further planning which will come back for approval as the situation develops. A working total of £37.5m is included in appendix 2.

13. Smaller investment projects

- 13.1 In considering the bids for programme funding, CSAM also received twelve spend to save bids that were individually under £200k and which amounted to £1.249m. These are investments that are needed to deliver revenue savings and/or income in the 2021/22 budget that has already been accepted or had the potential to release capital receipts.
- 13.2 All projects were supported by CSAM. The review of the Council's January forecast figures revealed that there was scope to fund these bids from the contingency budget and the S151 Officer and the Portfolio Holder for Finance have agreed these bids.

14. Commitments beyond 2021/22

- 14.1 In considering the recommendations in appendix 1, Cabinet is also asked to note and agree the commitment to future years' funding that some of these projects will require.
- 14.2 The two projects highlighted in blue; the East Dorset household recycling centre, and Dinah's Hollow slope stabilisation, will require funding of £415k in the first year, but the total project costs for these will amount to nearly £11.4m over the planning period and will mean that future programme funding is already being allocated.

- 14.3 This future allocation does not cause any pressures on the revenue budget however, because the medium-term financial plan (MTFP) provides for capital financing costs to increase to support an additional £15m of borrowing each year.
- 14.4 Whilst some of the other (unshaded) projects also request funding beyond 2021/22, there is no contractual or constructive commitment to deliver years 2 and beyond of any of these projects and future funding requests will be considered by CSAM in developing future programme recommendations.

Theresa Leavy

Executive Director of People - Children

Footnote:

Issues relating to financial, legal, environmental, economic and equalities implications have been considered and any information relevant to the decision is included within the report.

Appendix 1

		2021/22	2022/23	2023/24	2024/25	2025/26	Total	Required to be safe & legal	Supporting economic growth/protecting the economy	A corporate priority	Environmental benefit	Social value	Cost avoidance	Cashable savings/income
		£000	£000	£000	£000	£000	£000							
Capital Bids Summary														
Projects with Partial External Funding														
Funding Source														
Total External Contribution		(100)	(360)	(250)	(200)	(300)	(1,210)							
Total Funding		(100)	(360)	(250)	(200)	(300)	(1,210)							
Projects														
	Bid Reference													
Buildings Retro Fit Programme	C001		1,250	1,500	1,500	1,500	5,750		Y	Y	Y	Y	Y	Y
Electric Vehicle Charging Points	C002		622	78	78	467	1,245		Y	Y	Y	Y	Y	Y
Expand Centralised Energy Management System	C004		200	500	500	600	1,800			Y	Y		Y	
EDDC Sewage Treatment Works Infrastructure Renewal	C005	560					560	Y			Y		Y	Y
Gillingham Principal Street Final	C031	493					493		Y	Y	Y			
Total spend		1,053	2,072	2,078	2,078	2,567	9,848							
Net Spend		953	1,712	1,828	1,878	2,267	8,638							
Capital Bids Summary														
Projects with no external funding														
Projects														
	Bid Reference													
Replacing Fleet Cars and Small Vans with ULEV's	C006		500	500	1,000		2,000			Y	Y			Y
Purchase ULEV Pool Cars	C007		100				100			Y	Y			Y
Large Scale Renewable Energy Generation	C008		10,130			15,200	25,330			Y	Y			Y
Install PV on Council Buildings	C009		100	100	100	100	400			Y	Y			Y
Weymouth Harbour Dredging	C013	200					200		Y		Y	Y	Y	
East Dorset Household Recycling Centre	C015	100	2,650	2,900	1,350		7,000	Y	Y	Y	Y	Y	Y	Y
Children's Residential Sufficiency Programme	C021	270					270	Y		Y	Y	Y	Y	
Cranborne Middle School Classroom Accommodation Replacement	C022	800					800	Y		Y	Y	Y	Y	
Minor Capital Works Coast Protection	C024	450					450	Y	Y	Y	Y	Y	Y	
Demolition of North Quay and Weymouth Bowl	C025	700					700		Y		Y	Y	Y	Y
A354 Corridor Route Strategy	2BID002		525	380			905		Y		Y			
Dinah's Hollow - Slope Stabilisation	2BID003	315	3,575	473			4,363	Y	Y	Y	Y	Y		
Converging Customer Services - key ICT applications	2BID014	300					300							
Highways EAP bid	2BID018	6,300	6,300	6,300	6,300		25,200	Y		Y	Y	Y	Y	
Bridport Harbour boat stack	2BID019	202					202		Y					Y
Total Spend		9,637	23,880	10,653	8,750	15,300	68,220							
		415	6,225	3,373	1,350	0	11,363							
All Projects														
Total Spend		10,690	25,952	12,731	10,828	17,867	78,068							
Net Expenditure		10,590	25,592	12,481	10,628	17,567	76,858							

Bids brought forward from last bidding round

Appendix 2

Dorset Council draft capital programme 2021/22

	2021/22	2022/23	2023/24	2024/25	2025/26	After 2025/26	21/22-25/26
	£000	£000	£000	£000	£000	£000	Total
Part I - projects with full external funding							£000
Funding source							
Capital grant DFT/DfE/other	(15,101)						(15,101)
Total funding	(15,101)	0	0	0	0	0	(15,101)
Projects							
Local Transport Plan programme of works	15,101						15,101
Total spend	15,101	0	0	0	0	0	15,101
Net expenditure	0	0	0	0	0	0	0
Part II - projects with partial external funding							21/22-25/26
	2021/22	2022/23	2023/24	2024/25	2025/26	After 2025/26	Total
	£000	£000	£000	£000	£000	£000	£000
Funding source							
Section 106 Agreements/Contributions/Growth Deal	(100)	(360)	(250)	(200)	(300)		(1,210)
Capital grant DFT/DfE/other	(3,891)						(3,891)
Total funding	(3,991)	(360)	(250)	(200)	(300)	0	(5,101)
Projects							
Dorset History Centre original bid	2,334	165					2,499
DWP Infrastructure - Blandford site	1,948	2,902					4,850
Schools Basic Need programme	4,491						4,491
EDDC Sewage Treatment Works Infrastructure Renewal	560						560
Gillingham Principal Street Final	493						493
Total spend	9,826	3,067	0	0	0	0	12,893
Net expenditure	5,835	2,707	(250)	(200)	(300)	0	7,792
Part III - projects with no external funding							21/22-25/26
	2021/22	2022/23	2023/24	2024/25	2025/26	After 2025/26	Total
	£000	£000	£000	£000	£000	£000	£000
Projects							
Schools Access Initiative	200	200	200	200	200		1,000
Property Improvements Programme	6,000	6,000	6,000	6,000	6,000		30,000
Dorset Council Fleet Replacement Programme	4,781	2,983	6,024	5,770	4,890		24,448
Weymouth Peninsula including Harbour Walls (W&PBC)	4,946						4,946
ICT minor capital works and projects	2,000	2,000	2,000	2,000	2,000		10,000
ITS replacement programme	200	200	200	200	200		1,000
Acquisition of temporary accommodation	1,650						1,650
Healthy homes Dorset	75	75	75				225
Compulsory purchase of long-term empty property	489						489
Residential sufficiency in Weymouth	1,072						1,072
Minor capital works	500						500
Capital contingency	2,000						2,000
Investment fund	9,637	6,225	3,373	1,350			20,585
SEND capital strategy commitment	17,400	4,600	7,500	5,000	3,000		37,500
Total spend	50,950	22,283	25,372	20,520	16,290	0	135,415
Net expenditure	50,950	22,283	25,372	20,520	16,290	0	135,415
Summary of net expenditure and funding							21/22-25/26
	2021/22	2022/23	2023/24	2024/25	2025/26	After 2025/26	Total
	£000	£000	£000	£000	£000	£000	£000
Total expenditure	75,877	25,350	25,372	20,520	16,290	0	163,409
Full external funding	(15,101)	0	0	0	0	0	(15,101)
Partial external funding	(3,991)	(360)	(250)	(200)	(300)	0	(5,101)
Dorset Council part funding (borrowing)	(5,835)	(2,707)	250	200	300	0	(7,792)
Dorset Council funding (borrowing)	(41,050)	(12,133)	(14,972)	(9,870)	(5,390)	0	(83,415)
Dorset Council funding (capital receipts)	0	0	0	0	0	0	0
Minimum Revenue Provision	(9,900)	(10,150)	(10,400)	(10,650)	(10,900)	0	(52,000)
Total funding	(75,877)	(25,350)	(25,372)	(20,520)	(16,290)	0	(163,409)

Appendix 3

Summary descriptions of main projects

C005 – EDDC sewage treatment works infrastructure renewal

The project will address a long-standing problem and failed STW at Five Ash, Witchampton. The STW currently serves up to 20 properties but this could rise to 40 if further issues with Downlea STW and development opportunities are realised. Without intervention in the foreseeable future, environmental pollution from the current failing soakaway arrangement could lead to prosecution of the Council under environmental legislation. Addressing the failed STW and providing a gravity outfall to the River Allen will provide an up to date solution to the residents of Witchampton and will save increasing revenue costs of tankering sewage from 19 existing properties. The scheme is future proofed in that it considers the inclusion of the aging 1949 Downlea works as well as potential development that can be undertaken by either the Council or others in the foreseeable future. All the works will remain the property of Dorset Council unless Primary Legislation is changed.

C031 Gillingham Principal Street Final

The principal street is required to facilitate the construction of an urban extension to the town of Gillingham in Dorset. This land was allocated for residential development by the former North Dorset District Council. The development of this land is being pursued by the promoter, Welbeck Strategic Land LLP and the developers, C G Fry and Son Limited and Taylor Wimpey.

The principal street will be located on the land controlled by Welbeck. Following a successful bid by North Dorset District Council, Dorset Council have been awarded Housing Infrastructure Funding (HIF Funding) from Homes England to enable the Council to design and construct the majority of the principal street within the Welbeck development. The bid was based on a preliminary scheme design valued at £6,310,000. A more detailed costing was established in early 2020 to coincide with the submission of planning permission for the principal street which has since been granted by DC as the local planning authority.

The detailed cost estimate exceeds the available HIF budget awarded leaving a shortfall of approximately £500,000, construction and project costs as a result of delays to the project have also contributed to this together with compensation to landowners for access and other undertakings. The Council made a request for additional HIF funding in November, but the request was denied. Homes England considered the project could proceed with a much-reduced risk pot, and that Dorset Council seek additional funding as and when necessary. This situation adds additional risk to the Council as there is no guarantee additional funding from Homes England would be granted in the future. Furthermore, Officers consider the residual risk pot is insufficient for a project of this scale placing significant risks to Dorset Council. Funding sought through this capital bid (£493,127) would significantly reduce these risks making delivery more achievable.

C013 Weymouth Harbour Dredging

Maintenance dredging has not taken place in Weymouth Harbour for a significant number of years. The reduction in depths due to sediment and other movements of material is hampering operations by restricting areas that have traditionally been used for certain types and sizes of vessels. Additionally, the size of vessels used by small businesses and families continue to increase, impacting on the flexibility and services that can be offered.

C015 East Dorset Household Recycling Centre

The only Dorset Council owned Household Recycling Centre in the eastern area of Dorset is insufficient to cater for the residents in the area and financial arrangements have been made for residents to use HRCs in neighbouring authorities.

Even with these arrangements the HRC in Wimborne is unsuitable for the current level of visitors accessing the site. Traffic queues on the approach road cause nuisance to neighbouring businesses on the industrial estate and residents of the new housing development opposite the site. The restricted size of the site prevents the ability to use mechanical compaction of materials in containers thereby reducing the capacity of certain materials in terms of weight when transferring containers from the HRC to transfer facilities. The site is not split level, does not have the ability to recycle the range of materials more modern facilities can and there is limited facilities for effective re-use.

In November 2019, the Cabinet considered a report on cross-border use of HRC's and approved expenditure of £535,000, for use of sites at Nuffield and Millhams in the BCP area and Somerley, in Hampshire. The total number of Dorset residents using neighbouring authority sites is estimated to be in the region of 130,000 visitors per year. The number of visitors currently visiting Wimborne HRC is 115,000 per year. The current arrangements are not guaranteed and could result in Dorset's residents being excluded and the authority being faced with the numbers of residents wanting to access the Wimborne site more than doubling. This is likely to result in more residents opting to dispose of waste through the kerbside collection rather than at the HRC which would have a negative financial impact to the Council.

Recommendations approved by November 2019 Cabinet include a search for a suitable site for a new HRC and waste transfer facility. With increased options of direct delivery for waste collected in the east of Dorset and the provision of the new waste transfer facility in Central Dorset it is considered that a relatively small-scale transfer building will be required. This building can also act as a bin store and free up much needed space at the Ferndown waste collection depot. The site will be designed with the ability to accept commercial waste in order to maximise potential for income generation.

C021 Children's Residential Sufficiency Programme

A number of existing DC properties have been highlighted for potential use by Children's Services for mainly single-use residential accommodation. All the

properties would require some form of refurbishment prior to use as they are either currently vacant or in use by other services, along with ensuring they were suitable for Ofsted registration. As well as general property refurbishment, the properties will need to be suitably furnished to provide a homely environment.

C022 Cranborne Middle School Classroom Accommodation Replacement

For a number of years, the Council has been monitoring the condition of a modular, triple-classroom unit at Cranborne Middle School. Despite constant R&M expenditure its condition has now reached the stage where it needs to be replaced in order to continue to provide safe accommodation for use by the school.

A more detailed feasibility study will be required to advise on cost and programme implications. In previous years this would have been a project funded from the Children's Services Modular and Urgent Works programme (MUWP) budget managed by the Property and Capital Projects Commissioning Team, and so would have had a greater lead in time to plan and provide more accurate project costs at an earlier stage.

C024 Minor Capital Works Coast Protection

Dorset Council is responsible for coastal-infrastructure renewal in many coastal conurbations, as both landowner and Coastal Protection Authority. Much of the coastal infrastructure protects properties and businesses from flood or erosion risk, yet is ageing and in need of renewal or significant repair.

The coastline also suffers repeated damage from the effects storm events that are either emergency or urgent works and require swift action to stabilise and prevent failure of coastal defences. Works included in this bid include;

- Newtons Cove sea wall repairs, Weymouth.
- Chesil Cove sea wall, undermining repairs, Portland.

C025 Demolition of North Quay and Weymouth Bowl

North Quay is the old offices of Weymouth and Portland Borough Council that has been vacant since 2017. The building is being regularly vandalised and presents a risk to safety. Weymouth Bowl building is not currently in our ownership but if we proceed with this site, we will need to demolish this building as it is in a dilapidated state. The demolition of the building will relieve the Council of a significant safety risk and holding costs currently running at c£100,000 per annum.

2BID003 Dinah's Hollow slope stabilisation

Geotechnical engineers have assessed Dinah's Hollow to be at risk of landslips with the potential to cause death to more than one person and closure of one of the main North-South routes through Dorset.

Keeping Dinah's Hollow open removing the risk of injury maintains connections and transport links supporting strong, healthy communities. The route is integral

to the advisory one-way system for HGVs (A350 Northbound/C13 Southbound). This transport connection through Dorset is essential for economic growth.

2BID014 Converging customer services key ICT applications

Converged ICT applications will underpin a consistent way of working and customer experience across our corporate front door. Converged ICT applications will support a single customer service structure and delivery of savings. Converged ICT applications will allow us to deploy resources across the County flexibly, meeting demand as required. The data from systems will provide critical insights into customer demand and experiences and allow for further efficiency and transformation work to be taken forwards.

2BID018 Highways EAP bid

The project is to increase investment into highway infrastructure assets by £6.3million, in line with recommendations made by the Highways Executive Advisory Panel in 2020. The award of Pothole Funds from additional Government funding for 2020/21, made up the shortfall for that year.

The Government's single year spending review has been announced for 2021/22, and despite the award of the Pothole Fund, overall highways maintenance funding has been reduced by £4.093million.

We can demonstrate that our major highway assets are deteriorating at a faster rate than can be repaired, based on current levels of investment. This means as asset condition declines, the need for unpredictable and expensive reactive maintenance, and potential third-party liabilities, increases. This also threatens highway network resilience, especially in response to increased risk associated with climate change.

The Task and Finish Group for Highways and Transport have been presented with evidence of the impacts of these shortfalls in investment, on future condition across all major highway assets, which was also discussed at the Highways Asset Risk & Programme (HARP) Board. This means without additional capital investment we are in a position of managing asset decline. Therefore, it is recommended that an additional £6.3million of funding be awarded, to invest in highway infrastructure assets.

Investment in highway infrastructure directly supports corporate priorities including most significantly; public safety and promoting the economy. Highway assets facilitate the movement of vehicles for the purpose of business, employment, emergency services, health, education, tourism, and recreational activities. The additional funding would also cover additional investment in footways/cycleway assets, that encourage people to make healthier travel choices, in the interests of their health and wellbeing.

Historic under investment, and subsequent decline in condition, has already manifested itself in reactive, capitalised carriageway repairs increasing from an annual cost of £1.3million in 2016/17, to an anticipated £2.25million in 2020/21. This increased funding would be invested to be more proactive and will drive down this reactive maintenance that is both unpredictable and more expensive.

2BID019 Bridport harbour boat stack

There is an opportunity within the existing boat park at West Bay to install a boat stack system (2 level high) which would increase the capacity of the site generating an estimated £29,000 per year in income. We have a significant waiting list for boat storage and anticipate that additional storage will be filled quickly, we already provide boat maintenance and mechanics at the site and the expectation would be that more business would come to the service with additional storage space.